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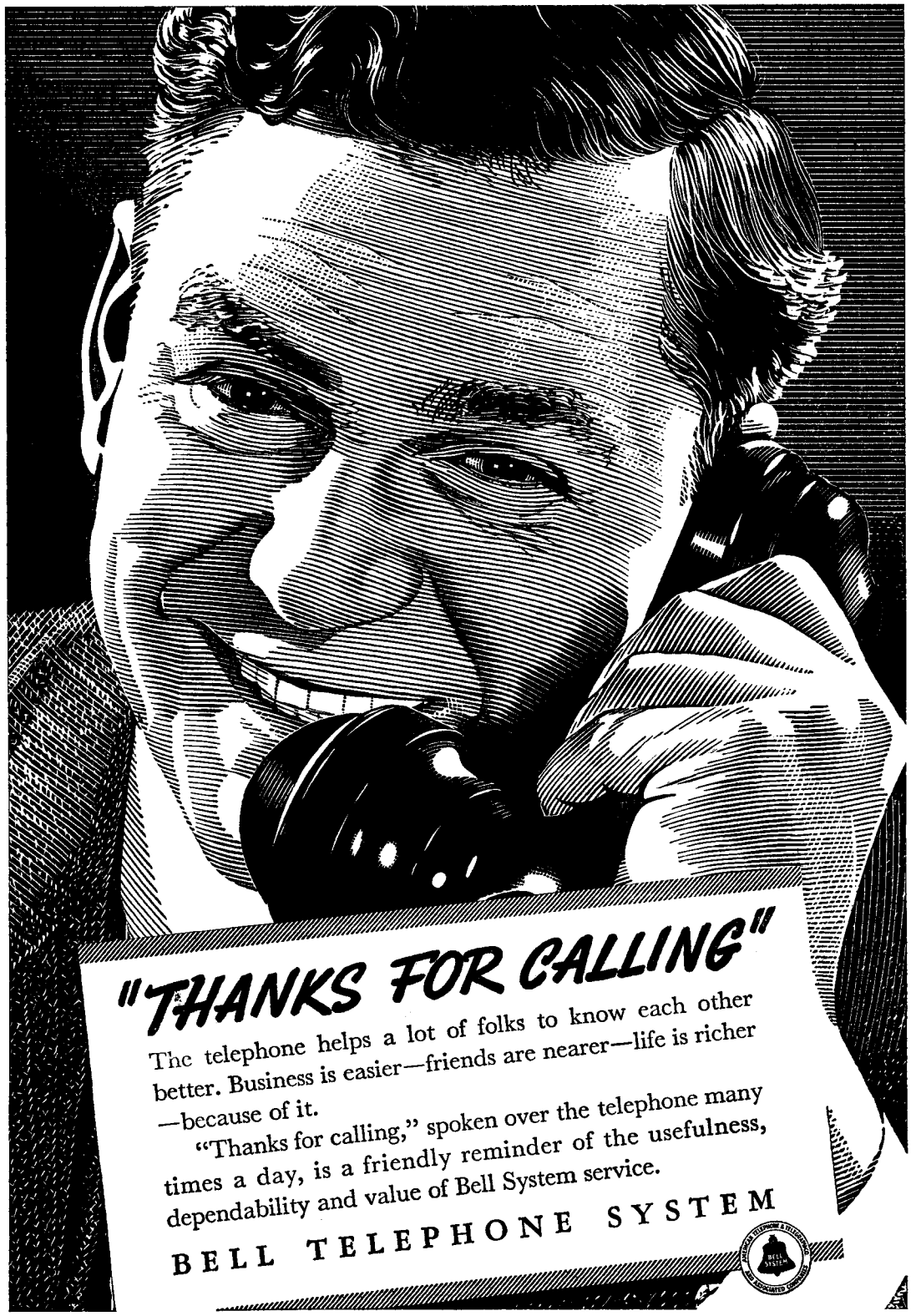
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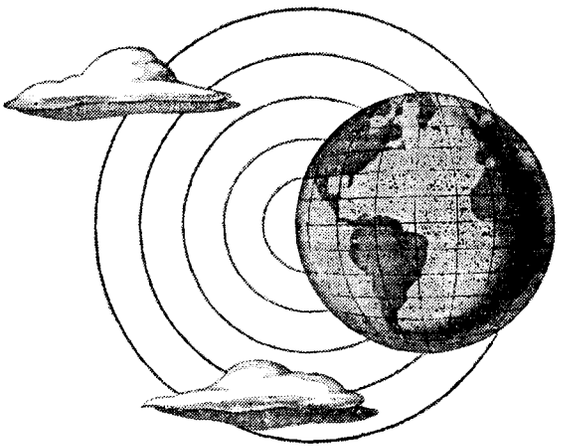

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AN AMERICAN QUARTERLY REVIEW

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FOREIGN AFFAIRS

Vol. 16 JULY 1938 No. 4

# MILL'S LIBERTY TODAY

*By Robert C. Binkley*

EIGHTY years ago the European continent was passing through the last moments of conservative reaction that had followed the Revolutions of 1848. Serfdom had three more years to run in Russia, as slavery had six more years to live in the United States. Napoleon III, dictator of France, was clearing the ground for the war in Italy that was destined to shake the foundations of his dictatorship. The Hapsburg Monarchy was in the last year of its bureaucratic strait-jacket under the Bach régime. Prussia, still among the autocratic states, stood on the eve of the "New Course" that was to lead to an era, first of conflict between Parliament and king, and then of compromise. More than half of the Balkan area was still under Turkish rule; and in most of Italy, harsh police measures filled the prisons with men who called themselves "liberals." Acre for acre, man for man, the political Europe of 1858 seemed not less hostile to the spirit that called itself liberalism than seems the Europe of 1938. But there was this difference: that the liberals of that day were confident that they were pulling with the tide. They faced the dawn with hope. They knew their day would come.

It was in that year that John Stuart Mill wrote his essay "On Liberty." It is a statement of principles so fundamental and so comprehensive that it takes rank with Rousseau's "Social Contract," Marx's "Communist Manifesto," and Leo XIII's "Encyclical on the Conditions of Labor" as a basic programmatic document of modern times.

In the decades that have supervened, there has been no end of writing and speaking about liberty. Some of it has been frothy and sweet, like a meringue; some has been stimulating, like a cocktail; some has been soothing and pleasant for political children, like an all-day sucker. Mill's essay is of another sort. It is

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the good hard bread of thought, such as the Victorians were wont to consume — leavened by the philosophy of the eighteenth century, kneaded in the turmoil of the English Reform, and baked in the furnace of the Industrial Revolution. It may be dry, but it is nourishing. Take it and bite into it:

. . . the only purpose for which power can be rightfully exercised over any member of a civilized community, against his will, is to prevent harm to others. His own good, either physical or moral, is not a sufficient warrant.

. . . the appropriate region of human liberty . . . comprises, first, the inward domain of consciousness . . . absolute freedom of opinion and sentiment on all subjects. . . . The liberty of expressing and publishing opinions . . . is practically inseparable from it. Secondly . . . liberty of tastes and pursuits; of framing the plan of our life to suit our own character; of doing as we like, subject to such consequences as may follow; without impediment from our fellow-creatures, so long as what we do does not harm them. . . . Thirdly, from this liberty of each individual, follows the liberty, within the same limits, of combination among individuals; freedom to unite, for any purpose not involving harm to others: the persons combining being supposed to be of full age, and not forced or deceived.

A person may cause evil to others not only by his actions but by his inaction, and in either case he is justly accountable to them for the injury.

There are also many positive acts for the benefit of others, which he may rightfully be compelled to perform; such as to give evidence in a court of justice; to bear his fair share in the common defense, or in any other joint work necessary to the interest of the society of which he enjoys the protection.

. . . opinions lose their immunity when the circumstances in which they are expressed are such as to constitute their expression a positive instigation to some mischievous act.

. . . trade is a social act. Whoever undertakes to sell any description of goods to the public, does what affects the interest of other persons, and of society in general . . . the principle of individual liberty is not involved in the doctrine of Free Trade . . .

If society lets any considerable number of its members grow up mere children, incapable of being acted on by rational consideration of distant motives, society has itself to blame for the consequences.

The State, while it respects the liberty of each in what specially regards himself, is bound to maintain a vigilant control over his exercise of any power which it allows him to possess over others.

I regard utility as the ultimate appeal on all ethical questions; but it must be utility in the largest sense, grounded on the permanent interests of a man as a progressive being.

The worth of a State, in the long run, is the worth of the individuals composing it . . . a State which dwarfs its men, in order that they may be more docile instruments in its hands even for beneficial purposes — will find that with small men no great thing can really be accomplished.

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Has anything happened since 1858 to make this closely-reasoned argument less applicable to human affairs? We have become more dependent upon each other as our economy has become more highly geared, but Mill acknowledges that to compel men to do their share of what is necessary for society is not a violation of their liberty. Economic organization has given to some men a stature of power beside which other men, be they laborers or stockholders, are as pygmies; but Mill declares that the state must exercise vigilant control over any power it allows one man to hold over another. We have seen the "freedom to unite" used to build up parties that have made it their first enterprise to destroy the conditions of freedom in which they grew; but Mill limits the freedom to unite to purposes not involving harm to others. Radio and all the arts of propaganda have made "the liberty of publishing and expressing an opinion" more potent in inducing action than Mill would have thought possible; but Mill was willing to permit restraints on the expression of opinion if the circumstance should be such as to lead directly from the expression of opinion to wrongful acts. Forms of competition may have become more destructive since Mill's day, and the human damage suffered in the competitive struggle may have increased; but Mill concedes that society can make the rules of the competitive game in accordance with the general interest. Mill's statement that "trade is a social act" is broader than the commerce clause in the Constitution in its justification of all needful regulation of business. And Mill sees very clearly that liberty defeats itself if it is interpreted to exclude compulsory education. If collectivists argue their case with a promise of high productivity, Mill will meet them by accepting utility "broadly conceived" as the supreme ethical criterion. There is much that has happened which Mill did not foresee, and not a little of what he discussed has become a dead issue (his defense of the Mormons, for instance). Yet the main structure of his argument still holds against all the material and political developments of the last two generations.

In the year that Mill wrote the essay "On Liberty" he ended his life career in the India Office. For the next fifteen years, until his death in 1873, he saw the doctrines of political liberalism sweep everything before them. France, Germany, Austria-Hungary, Italy, Sweden — all fell fully into line with new or renovated parliamentary institutions. Even Russia passed through its

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liberal phase under Alexander II. Everything liberal was dubbed desirable, and everything desirable was dubbed liberal. But while the world became liberal, what was happening to liberty — to liberty as Mill defined it and championed it?

The liberty that Mill championed was not realized automatically by the introduction of parliamentary government or popular rule. It might indeed be threatened thereby. He sought to erect a bulwark of principles not only against the power of despots, but against the power of majorities, and not only against the tyranny of magistrates, but against "the tyranny of the prevailing opinion and feeling; against the tendency of society to impose, by other means than civil penalties, its own ideas and practices as rules of conduct upon those who dissent from them." In this sphere Mill felt, even as he wrote, that the tide was running against him. He saw that "the tendency of all the changes taking place in the world is to strengthen society, and diminish the power of the individual," and that "this encroachment is not one of the evils which tend spontaneously to disappear, but, on the contrary, to grow more and more formidable." On the eve of the triumph of liberalism, he already feared for liberty.

The fears he felt were not unlike those that came to the mind of Henry Adams as he meditated on the degradation of the democratic dogma — the fear that mediocrity would triumph over originality, and servility over independence of character. "He who lets the world, or his own portion of it, choose his plan of life for him, has no need of any other faculty than the ape-like one of imitation. . . . It really is of importance, not only what men do, but also what manner of men they are that do it." "Formerly, different ranks, different neighborhoods, different trades and professions, lived in what might be called different worlds; at present to a great degree the same. Comparatively speaking, they now read the same things, listen to the same things, see the same things . . . have their hopes and fears directed toward the same objects, have the same rights and liberties, and the same means of asserting them."

The twentieth century continued this process of clamping down on individuality, and of imposing conformities on ways of living. The catalogue of imposed conformities is extended by such things as movies, radio, national advertising and chain stores in democratic countries, by police measures and positive propaganda in totalitarian states. The technological requirements of mass pro-

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duction call not only for regimented workers, but also for regimented consumers.

But the change of material conditions, and even of social attitudes, has opened some new zones to individuality in life. The shortening of working hours has extended the possibilities of leisure-time pursuits. The spread of knowledge of contraception has increased the power of individuals over their life plans. The growth of the metropolis has granted the shelter of anonymity to millions. And, in America at least, the automobile has supplemented the metropolis in curbing the power of the neighborhood. The encroachment upon individuality does not come today from society so much as from the state. The enemy of liberty today, as in the early nineteenth century, is the state.

Free living, as Mill saw it, and as we must see it today, is not separable from free thinking. And with this step, the argument reaches the very heart of Mill's idea and of the world's present uneasiness. What is the place of liberty in the sphere of consciousness? Here Mill's stand was absolute and intransigent. Man must be just as free to hold and defend wrong opinions as to hold and defend right ones. "If all mankind minus one were of one opinion," he writes, "and only one person were of the contrary opinion, mankind would be no more justified in silencing that one person, than he, if he had the power, would be justified in silencing mankind." There can be no distinction made on the basis of the utility of an opinion, for "the usefulness of an opinion is itself matter of opinion: as disputable, as open to discussion, and requiring discussion as much as the opinion itself."

In arguing for freedom of opinion from political control, he was preaching, as he thought, to the converted. He thought the time had gone by when a defense was needed of freedom of the press. It was social pressure against heterodox opinion that he most feared. He saw the danger of mass rule by public opinion, unleavened by new ideas, and feared that the wearing down of heterodoxy would make England another China. Against this prospect he argued with irrefutable syllogism that only by confronting opinions with their contraries could the road to truth be lighted, that truths unquestioned must remain truths unproved.

Point for point his argument is unassailable: if an opinion is right, its suppression deprives people of a chance to exchange error for truth; if it is wrong, people lose by its suppression the livelier impression of truth produced by its collision with error.

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The ordeal of persecution is no test of truth. "It is a piece of idle sentimentality that truth, merely as truth, has any inherent power denied to error of prevailing against the dungeon and the stake." But the ordeal of reason is always a test of truth. Man rectifies his errors by discussion and experience; "as mankind improve, the number of doctrines that are no longer disputed or doubted will be constantly on the increase." Action, whether individual or social, flows from the correct apprehension of truth as demonstrated in discussion. It is this principle that justifies faith in progress for men sufficiently civilized to use discussion as a control of action, that justifies the use of force against backward peoples not capable of using the same instrument, and that forces a society that wishes to move on this path to compel the education of its children to the point where they can participate in the symposium.

This demonstration of the value of free discussion is monolithic. Around it all the rest of the argument is built, and yet it is here that twentieth-century thinking has moved farthest from John Stuart Mill. In its political practice, a substantial part of the world is still with him in defending freedom of opinion. In its social manners, it has relaxed controls, and has come to regard the word "Victorian" as describing a stuffy repression of parlor conversation. The material world has not registered a decision against liberty of thought; at least half of the political and social world continues, in the main, to respect it. But the metaphysical foundations are no longer what they were.

For two generations since Mill we have studied, talked and discussed together — hundreds of thousands of us in laboratory and library, hundreds of millions of us in sweatshop and barber shop, in hotel lobby and in homes. And do we still think, as Mill said eighty years ago, that "the number of doctrines which are no longer disputed or doubted will be constantly on the increase?" If we accept Mill's dictum that "the number and gravity of the truths which have reached the point of being uncontested" are a measure of the well-being of mankind, must we conclude that "well-being" thus measured has increased or diminished since his day?

It was a magnificent feast of reason for which Mill planned the menu and laid the table. He had, it is true, some misgivings that guests at the universal banquet might lack the fine sense to appreciate all that was offered; he did not foresee that they would come to the banquet, share in it, and then go hungry away.

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The drift away from the metaphysical foundation of Mill's argument is a drift away from his assumption that truth is divisible for purposes of discussion and verification. Now it is evident that a Nazi, a Communist, and a Catholic hold each to a vast body of interlocking opinions, so integrated that they cannot be broken down into separate parts and subjected to separate analysis; and at the same time so comprehensive that they cannot be carried as a whole to the point of verification or disproof by evidence and information that any man, in his lifetime, can accumulate. Free discussion, under such conditions, does not lead to conclusions.

There is a profound harmony uniting Mill's "A System of Logic" with his essay "On Liberty." Both point the same road to the apprehension of truth. It is the road that Francis Bacon surveyed in the seventeenth century; it is the road by which learning in the nineteenth and twentieth centuries organized its stupendous achievements. The road is paved with monographs and learned journals. But now we ask, what if every word is true separately, what if each item of truth has been polished with verifications, what if we know the syntax of Bantu and the effect of ultra violet rays on the chromosomes of a sea-urchin's egg — are these separate truths the truths that men can live by? Taken all together, do they constitute a truth that men can understand? The technique of verification which Mill deemed universal is applicable to fragments; but the very unity of personality for which Mill pleaded is not satisfied with fragments of truth.

Consider, for instance, one method of investigation which would seem to be the unassailable stronghold of objectivity, the method by which contrary assertions can be led to confront each other with perfect intellectual decorum, with error always yielding to truth. This is the method of statistical analysis. It has grown by leaps and bounds since Mill's day. Our supply of statistics is beyond his dreams; our use of them permeates government, business, and education, as well as the fields of scholarship. Hitler's speeches are full of them; Soviet reports bristle with them; they chart themselves in the offices of the sales managers; they send shivers down the spines of bankers. They may be abused at times, but the liars who figure can ultimately be confronted with the figures that do not lie. The free discussion of the interpretation of statistics should furnish an ideal vehicle for the application of reason to human affairs.

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But there is lurking in the development of the statistical controls of social policy a potential danger to the principle of individuality itself. Already in large classes in the schools, individual students and individual teachers are fighting a losing battle against the normal curve of distribution. Every refinement of statistical method is an exquisite device for making men look like atoms. Universal suffrage, unable to take into account subtle differences among individuals in the degree of their interest in a subject or the extent of their capacity to understand it, is but a special case of the application of the adding machine technique to the determination of social policy. Proportional representation is a statistical refinement. Taxation policies are already made on calculating machines, and standards of living are measured by the method of least squares. When mankind becomes an equation of $N$ variables and the horizon of his life is plotted on a $Y$ axis, when individuality is a parameter of variation and personality an exponential function, will not the disciples of Mill quail before the monstrosities of statistical abstraction? Statistics do indeed render truth divisible for purposes of verification, but the great truths escape while the small ones are verified.

Perhaps there is another method by which free discussion of opinion can be relied upon to sift errors from truths in terms of the vast units of truth which are necessary for significance. Mill thought that the interpretation of experience would be such a method. But what does this mean? It means that we regard the League of Nations as an experiment, the Soviet union as a laboratory enterprise, and problems of policy as subject to the method of trial and error. In small matters the method is full of merit. On great affairs the laboratory fees are paid in blood, and when the reports of the experiment are written they are found to have contributed to the world an embellishment of mythologies rather than a bundle of verified truths.

Little as Mill foresaw that Western Europe would reach this state, yet the framework of his thought was vast enough to take it into account: "Liberty, as a principle, has no application to any state of things anterior to the time when mankind have become capable of being improved by free and equal discussion." Fundamentally, Mill's faith in progress was so unconditional that he did not imagine that a people which had learned to improve itself by free and equal discussion could lose the art. But the conclusion would have to be drawn from his argument that if the

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time should ever come when the thought structure of the world should lose its anchorage in induction, the day of improvement by free discussion would have passed, and with it the day of liberty.

It has now come to pass that the whole system of liberty has been reduced to one among a number of competing ideologies; it no longer furnishes the universal framework within which ideologies compete. Half the world still holds to this ideology, preferring it to others; the other half has undertaken to carry the police regulation of thought to a point of efficiency unprecedented in history. Propaganda and counter-propaganda are organized state activities, into which even the democratic countries are drawn. Just as the early modern state squeezed out the private administration of justice, so the totalitarian states squeeze out the private administration of thought. The democratic states at least engage in competition with non-state agencies in propaganda. Within the states that are still loyal to the ideal of liberty, two questions arise: To what extent shall the state undertake to propagate opinions? Can the state impose some restrictions on the propagation of opinions without destroying liberty in its entirety? Mill's principles would seem to rule that, just as thought is *divisible* for purposes of discussion and verification, so liberty of thought and expression is *indivisible*. One cannot lose any of it without losing it all. The sole limitation that Mill was willing to concede was restraint upon the expression of thought that would lead directly to mischievous acts. He would not allow a man to shout, "Hang the baker" during a bread riot, but he would permit anyone to shout "Down with capitalism" on Union Square.

This concession made by Mill may be like the thin end of a wedge which, driven by twentieth century conditions, will render liberty divisible. Fraudulent advertising claims would seem to be subject to state police measures, since "trade is a social act." And perhaps fraudulent political claims might be included by stretching the doctrine that "freedom to unite" is defensible only on condition that the persons uniting are "undeceived." A law requiring the registration of lobbyists and public relations counsellors would not seem to be contrary to Mill's principle of liberty.

In the propagation of opinions by the state, the state-controlled schools are first in importance. Mill saw that state education would tend to become state propaganda. He hoped to avoid the evils of this by leaving the schools so far as possible under private control and by restricting the rôle of the state to that of an

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examiner. The examination, he thought, would be exclusively on questions of fact. Here again his confidence that great and significant truths were merely the sum of a great number of facts gave him a solution which modern educators must regard as all too simple.

These problems would exist in a régime of liberty even if it had no contact with foreign states or with totalitarian régimes. But the propaganda activity and the threats of force that arise in the totalitarian states render these problems more pressing. It happened that while Mill was writing his essay, Orsini attempted to assassinate Napoleon III, and the British Government complied with a French request that the British press should be restrained from attacking the heads of foreign states. Napoleon demanded, though on a modest scale, what Hitler demands today. Mill was shocked by the violation done the freedom of the press. He evidently did not regard English press campaigns against Napoleon as coming within his definition of expressions of opinion leading directly to mischievous acts.

But the issue involved is not simple, for the régime of liberty cannot survive during modern warfare. A régime of liberty implies a policy of peace, and peace between nations may in fact be threatened by press campaigns that arouse international hatred. This situation has led many partisans of collective security under the League of Nations to advocate "moral disarmament," a program which means the restraining of international hatemongers by their own governments. The famous Carlsbad Decrees of 1819 that were enforced against the freedom of the press in the German states were based on precisely this principle. They did not compel the state of Baden, for instance, to suppress journalistic attacks upon the government of Baden; they applied only to pamphleteering in one state against another state, or against the German Confederation as a whole. Radio, which leaps across political parties, has sharpened this dilemma for the adherents of the principles of liberty. Italy can blackmail England with a pro-Islamic radio campaign, and totalitarian radio propaganda in Latin America can drive the American Government to counter measures.

Finally, the adherents of the system of liberty face the more serious dilemma of whether to aid each other in defending their system by armed force. John Stuart Mill wrote down the rules of a game in which people write letters to the *Times*. Do circum-

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stances now indicate that it is not enough to write letters to the *Times*, that we must rather go over seas and string barbed wire in Spain? If paid agents of a totalitarian state are building up a party in a free country, must the free country give freedom even to them?

These problems confronting the adherents of liberty today are not insoluble. Already our thinkers are working to shore up the crumbling places in the metaphysical foundations of liberty by turning their attention from the verification of small truths to the analyses of great ones. The Encyclopædia of the eighteenth century was a philosophy; the Encyclopædia of the nineteenth century was a disorderly museum of facts; the Encyclopædia of the twentieth century is only in the making. It need not and cannot contain the answers to all questions, but it may turn out to be an intellectual achievement that will inspire confidence that even the most comprehensive and meaningful opinions are ultimately capable of objective verification or disproof. The dilemmas encountered in applying the principles of liberty to human affairs are by no means so serious as those encountered in applying the alternative ideologies. The totalitarian states have yet to show that they can produce great characters. It takes forty years to make a man. The great names in these states are the names of men who were made by liberty, whether under a régime of liberty or despite a régime of repression.

John Stuart Mill ruled a great empire of thought and ruled it well; his satraps were principles and his army was an army of facts. The law of that empire was the law of liberty, progress and utility. The empire still stands, though there are barbarians swarming on the frontiers, and the satraps have set themselves up as semi-independent rulers of petty domains. But the good law that he laid down is still good law, and the empire will stand wherever men believe with him that "the worth of a State, in the long run, is the worth of the individuals composing it."

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# RAW MATERIALS AND FOREIGN POLICY

*By Herbert Feis*

THE need for more raw materials has been put forward by various powerful governments as a reason for seeking territorial expansion, colonial or otherwise. In the immense literature to which these claims have given rise there is a general tendency — whether among statesmen, journalists or economists — to oversimplify the issues.

The political leaders of the claimant countries present the problem as one of mere possession or non-possession. This contrast they dramatize for their peoples by comparing the poverty of the "have-not" nations with the rich resources of the "haves." The journalists have most of them come to regard the issue as a natural cause for conflict between states. The discovery that the distribution of political control over raw material supplies differs from the distribution of population and military power has been accepted by them as at least justifying the inevitability of attempts, even by force, to lessen this discrepancy. Among economists, the question is generally regarded as created almost entirely by political passions without any particular reference to economic welfare or even to considerations of military advantage.

My object here is not to attempt an exhaustive analysis of this much-discussed subject. I shall rather confine myself to pointing out the complex nature of some of the issues involved and the relationships that exist between them.

II

In the past, governments often sought to extend their control over new territories in order to gain possession of the raw materials they contained. Yet even before the World War there was widespread doubt as to whether the advantages of such acquisitions really outweighed the disadvantages. The liabilities involved in the political control of territories not contiguous to the homeland had already become evident. At the same time, the advantages of unrestricted international trade as a means for each nation to secure raw materials and other products were receiving ever wider recognition. The problem of the availability of raw material supplies for each and every country was therefore com-

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ing to be regarded as fundamentally a question of freedom of trade.

The rising curve of international trade in the prewar period was the natural basis of this assumption. The movement of capital from Western Europe was opening up vast new supplies of raw materials; and trade was distributing them throughout the world on a scale hitherto unknown. After the war this process was resumed.

TREND OF WORLD TRADE (EXPORTS PLUS IMPORTS) [1]
1901–1913 AND 1921–1936
(1913=100)

| *Annual Average* | *Value* | *Volume* | *Annual Average* | *Value* | *Volume* |
|---|---|---|---|---|---|
| 1901–05 | 56.4 | 67.2 | 1921–25 | 138.6 | 94.1 |
| 1906–10 | 74.0 | 80.5 | 1926–30 | 164.8 | 121.2 |
| 1911–13 | 94.2 | 96.6 | 1931–35 | 70.7 | 102.5 |
| 1913 | 100.0 | 100.0 | 1936 | 65.7 | 110.5 |

[1] *Statistisches Jahrbuch für das Deutsche Reich*, 1937.

TREND OF WORLD TRADE IN CERTAIN FOODSTUFFS AND RAW MATERIALS, 1921–1935 [1]
(1929=100)

| | *1921–1925* | *1926–1930* | *1931–1935* |
|---|---|---|---|
| Corn | 81 | 101 | 110 |
| Wheat | 81 | 91 | 79 |
| Butter | 64 | 94 | 111 |
| Sugar | 81 | 92 | 68 |
| Coffee | 90 | 100 | 104 |
| Cotton | 81 | 102 | 92 |
| Wool | 86 | 94 | 92 |
| Rubber | 48 | 83 | 98 |
| Coal | 75 | 92 | 71 |
| Petroleum [2] | 53-57 | 78 | 100 |
| Gasoline [2] | 30-33 | 87 | 91 |
| Aluminum | 41 | 82 | 60 |
| Copper | 61 | 88 | 79 |
| Iron ore | 56 | 85 | 59 |
| Pig iron and ferro-alloys | 73 | 86 | 63 |
| Lead | 54 | 98 | 87 |
| Manganese ore | 60 | 83 | 54 |
| Nickel | 37 | 70 | 78 |
| Tin | 70 | 92 | 71 |
| Zinc | 57 | 95 | 85 |

[1] Figures are for physical quantities. Those for agricultural commodities are based on import statistics; those for rubber and the mineral products are based on export statistics.
[2] Because of incomplete data and certain statistical difficulties, the figures for petroleum and gasoline, particularly for the first period covered, are necessarily only very rough approximations.

Even the world depression of the early thirties did not seem to compel any substantial modification of this view. True, trade in

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general declined enormously; but by the beginning of 1937 it had nearly recovered its pre-depression volume. The decline in the volume of trade in foodstuffs and raw materials was far less than that in finished goods, for the former was favored both by government policy and by low prices. This is illustrated by the following table.

VOLUME OF WORLD TRADE DURING THE DEPRESSION [1]

(1929=100)

| | *1929* | *1932* | *1933* | *1934* | *1935* | *1936* | *1937* |
|---|---|---|---|---|---|---|---|
| Foodstuffs | 100 | 89 | 83 | 82 | 85.5 | 85.5 | |
| Materials, raw or partly mfd. | 100 | 81.5 | 87.5 | 88 | 91.5 | 95.5 | |
| *Manufactured* articles | 100 | 59 | 60.5 | 66.5 | 69.5 | 75.5 | |
| *All commodities* | 100 | 74.5 | 75.5 | 78 | 82 | 85.5 | 97.5 |

[1] League of Nations, *Review of World Trade, 1936.*

Such is the record supporting the belief that to a large and increasing extent trade makes adequate raw material supplies available for all countries. Various other important considerations not only support this general view but indicate the possibility that in the future an even greater international distribution of primary products could be effected by ordinary trade processes.

The world's purchasing power and the potential volume of international trade are today greater than ever before. Improved methods of production are increasing the available quantities of virtually all marketable commodities; and the growing variety of useful commodities is constantly expanding international trade despite various counteracting tendencies.

Furthermore, the total potential supplies of almost all raw materials are now greater than ever before, and they are available for the use of all who can pay for them. The producing countries are eager to sell. In fact, during the past decade the producers of raw materials have repeatedly shown that they are ready to offer their supplies in such large quantities that prices have periodically been pushed considerably below the cost of production. Since the war, in consequence, there has been a tendency for the price of raw materials that move in international commerce to decline as compared with the price of manufactured goods. In that sense raw materials have been easier to procure. Further, the development of substitutes for many raw materials has given consumers a flexibility of choice.

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Improvements in the technique of mineral exploration and exploitation and in scientific plant and animal breeding, plus the extensive outward movement of capital of the twenties, have together brought about an increase in the number of sources from which materials can be obtained. This development is of considerable importance, for it gives those countries which must import much of their raw material supplies a better chance to bargain and to adjust their trade relations.

Nor is the significance of these developments greatly lessened by the restrictions which governments have placed on production or export. In time of peace such restrictions have not seriously interfered with the acquisition of desired primary materials. Most of such national restrictions now in force have been placed on commodities of which the producing countries do not have large surpluses for export. Of greater consequence are international combinations — private, semi-private or intergovernmental — by which the production of such articles as tin and rubber is restricted. For short periods, at any rate, some of these international combinations have succeeded in lifting the price of particular raw materials above that justified by efficient production methods. In most cases, however, this artificially stimulated price increase has been imposed on all consumers, including those in the producing country; in only rare instances has restriction been discriminatory in its effect.[1]

These restrictions are of some, but not great, economic importance; nor have they complicated problems of military preparation to any significant degree. Nevertheless, it is highly desirable that they be reduced to a minimum, for they create a sense of unfair treatment and of dependence upon the arbitrary decisions of others.

Such, then, are the bases for the belief that nations can with reasonable confidence expect international trade to provide most of the raw materials they need. But this belief obviously rests on the expectation that international trade can take place. According to the logic of economic interdependence, each country has a legitimate right to expect that other countries will not unduly

[1] In a few cases, such as the export tax on tin ore levied in the Federated Malay States, the effect is discriminatory. The purpose of this discriminatory tax has been to prevent the growth of a smelting industry in countries outside the British Empire rather than to restrict the supply of the processed commodity. It has been defended as an offset to the tariff legislation of other countries under which the raw material is admitted with no duty, or only a small one, while the processed article is subject to a high duty, in order to force the development of a processing industry.

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hinder it in satisfying its raw material needs through trade. But that logic does not confer on a deficient country the right to demand political control over territories in which are situated resources which it may need.

III

It does not follow from these premises that every country can expect under all circumstances to secure through trade *all* the supplies of *all* the raw materials which it could possibly utilize. Each country's ability to acquire raw materials from abroad through trade will be limited by its capacity to produce and sell abroad sufficient quantities of goods to provide the necessary purchasing power. A nation poor in resources, and in skill and organizing ability — that is, poor in total production — will be able to acquire only limited supplies of primary products through trade.

It must be clearly understood that a declaration of "need" is of variable meaning, determined not only by the physical resources of the country in question, but also by the nature of its economic and military activities. Changes in international trade are necessarily gradual, since there must be a constant accommodation between it and the domestic economic structure of each country. If — because of a vastly expanded armament program or for any other reason — a particular country or group of countries suddenly desires immensely enlarged supplies of particular raw materials, trade cannot be expected to adapt itself to that demand as immediately as an army can be recruited or plans made on paper for ships or planes. To satisfy a rapid increase in demand through trade, a country must make a decided effort to direct its policies along lines which favor trade.

During the past ten years there has been a marked rise in the demand for primary products on the part of three leading countries. This has resulted from their increasing industrial production, the development of new fields of production, and the use of more elaborate machinery. And on top of everything else has come rearmament, in which field there seems to be no point of satiation as long as the arms competition continues.

Since special interest attaches to Germany, Japan and Italy, I have compiled a table (shown on the following page) giving their imports of some of the principal raw materials during recent years. It will be seen that in most groups the volume

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IMPORTS INTO GERMANY, ITALY AND JAPAN OF CERTAIN FOODSTUFFS AND RAW MATERIALS

| | *Average 1928–30* | *1934* | *1935* | *1936* | *1937* |
|---|---|---|---|---|---|
| ***GERMANY*** | (in thousand metric tons) | | | | |
| Meat, meat products and fish | 473 | 263 | 285 | 358 | 339 |
| Butter, lard and fats | 231 | 104 | 102 | 107 | 121 |
| Wheat, barley, corn, oats | 4,641 | 1,634 | 780 | 309 | 3,485 |
| Oil fruits and seeds | 2,461 | 2,214 | 1,334 | 1,661 | 1,670 |
| Rubber, raw | 55 | 72 | 74 | 83 | 123 |
| Timber and lumber | 4,905 | 2,547 | 2,845 | 2,576 | 2,624 |
| Pulpwood | 2,301 | 3,019 | 2,822 | 2,244 | 1,663 |
| Iron ore | 14,879 | 8,265 | 14,061 | 18,469 | 20,621 |
| Other ores | 3,338 | 3,071 | 3,665 | 4,079 | 5,622 |
| Copper, raw | 256 | 229 | 216 | 195 | 263 |
| Mineral oils | 2,601 | 3,094 | 3,767 | 4,203 | 4,287 |
| Wool, raw | 165 | 143 | 124 | 103 | 103 |
| Cotton, raw | 385 | 317 | 310 | 237 | 245 |
| ***ITALY*** | | | | | |
| Meat, poultry, game and fish | 157 | 145 | 116 | 73 | 135 |
| Cereals, including rice | 3,133 | 884 | 1,095 | 840 | 1,997 |
| Oil seeds | 223 | 295 | 197 | 144 | 378 |
| Timber | 1,575 | 1,255 | 1,251 | 585 | 857 |
| Paper pulp | 190 | 260 | 336 | 227 | 251 |
| Iron and steel, raw and scrap | 1,184 | 954 | 1,280 | 514 | 713 |
| Copper, brass, bronze | 65 | 66 | 93 | 86 | 80 |
| Other common metals | 47 | 19 | 48 | 22 | 21 |
| Mineral oils and products | 1,332 | 1,915 | 2,193 | 1,878 | 2,326 |
| Coal and coke | 13,425[1] | 12,734 | 14,590 | 9,265 | 12,823 |
| Wool, raw | 52 | 67 | 53 | 19 | 42 |
| Cotton, raw | 227 | 187 | 149 | 101 | 165 |
| ***JAPAN*** | (in thousand piculs, unless otherwise noted)[2] | | | | |
| Wheat | 10,417 | 8,155 | 7,417 | 5,171 | 3,114 |
| Rice and paddy | 3,598 | 116 | 655 | 923 | 558 |
| Beans and peas | 10,656 | 11,222 | 11,454 | 12,445 | 12,321 |
| Hides, skins and leather | 279 | 429 | 522 | 526 | 701 |
| Oil seeds | 3,437 | 3,720 | 5,466 | 5,236 | 4,597 |
| Rubber, raw | 524 | 1,197 | 995 | 1,065 | 1,063 |
| Cellulose | 1,313 | 3,815 | 4,570 | 5,529 | 7,902 |
| Iron[4] | 29,407 | 41,321 | 53,112 | 49,368 | 40,960[3] |
| Other metals | 2,276 | 3,443 | 3,975 | 4,033 | 3,212[3] |
| Mineral oils, reported by volume[5] | 479 | 918 | 1,111 | 1,237 | 834[3] |
| Coal[6] | 2,863 | 3,997 | 3,895 | 4,134 | 4,356 |
| Wool, raw and tops | 854 | 1,373 | 1,841 | 1,641 | 1,954 |
| Cotton, raw | 10,043 | 13,555 | 12,284 | 15,211 | 13,765 |
| Other vegetable fibers | 1,384 | 1,848 | 1,995 | 2,158 | 1,867 |

[1] Includes coal and coke received on account of War Reparations. [2] One picul equals 132.28 lbs.
[3] First seven months only. Quantities of metals and petroleum not reported after July 1937. It is possible that the figures for some of the German and Italian imports are also incomplete.
[4] Pig iron, etc., bars, rods, plates, etc., and scrap iron. [5] Million American gallons. [6] Thousand long tons.

has recovered substantially from depression levels and that in the case of some raw materials, particularly minerals, it exceeds the amounts imported even during the previous period of prosperity. On the other hand, the importation of most foodstuffs continues to be curtailed.

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IV

In its commercial aspect, then, the raw materials question is obviously one of purchasing power, that is, purchasing power in foreign currencies. To state the problem in terms of an asserted need for the possession of sources of supply within the national currency area is merely another way of expressing a desire to be able to insure adequate supplies without reference to the requirements of international trade. Or, to put it differently, this formulation of the problem merely restates a wish to have the raw materials so located that they can be directed, if necessary, by the power of the state.

This is merely one of the reasons cited for dissatisfaction with the trade solution. Among the others, the most important — and certainly the one most emphasized in public discussion — is the complaint that international trade is hindered by burdensome restrictions of all kinds. It is pointed out that the capacity of a given country to buy raw materials from abroad is restricted by the willingness of other countries to purchase its goods in return. Furthermore, it is pointed out, some of these restrictions weigh unequally — as for example the extensive systems of tariff preferences between mother countries on the one hand and colonies and dominions on the other. These intra-empire preferences naturally make it more difficult for other countries to sell their goods in these areas and thereby to acquire raw material supplies from them by return purchase.

These considerations are of real importance. The chance to trade on satisfactory terms is a reasonable right — even a vital one — for each country which is prepared to accord reciprocal opportunity and conduct itself as a member of a peaceful international group. This right must be recognized by other countries, and its denial or frustration gives rise to just grievance.

I believe there is a growing readiness on the part of most liberal governments to accept this view — but after, alas, what prolonged inertia! I believe that now they are ready to give effect to those declarations of principle which have formed the closing theme of so many international conferences: not, probably, by simultaneous and widespread action, but by a multitude of exchanged concessions and agreements, mainly bilateral.

However, the countries that have raised the question appear to have lost interest and faith in any program of this sort. Their

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assertions that the solution of the raw materials problem through trade is unsatisfactory have tended to grow in vigor as their emphasis upon the need for independence of supply has increased.

In part, perhaps, this arises from the nature of the "trade solution" itself. If a country desires, for its own general advantage, to have a large trade with the rest of the world, it must fulfil the terms on which this is possible. If it relies largely on outside sources for adequate supplies of raw materials, it will be called upon to observe various rules of international intercourse on a basis of reciprocity with other countries pursuing the same rules. It must enter into trade-liberalizing agreements with other countries. In the negotiation of such agreements, the other countries will naturally enough seek to obtain opportunities for selling not only the raw materials which the purchasing country urgently wants, but other goods for which the other countries require markets. The terms of such trade agreements naturally cannot respond wholly to the desires of either party to the negotiation. Each country must show a willingness to afford a place in its domestic market, both for certain competitive goods and for commodities less indispensable to the national economy than raw materials. Countries are obliged by the exigencies of international trade to suffer competition at some points where it is not welcome. Furthermore, they are called upon to entertain foreign competition or to accept foreign goods in amounts and varieties which may make the task of "directed national planning" more difficult.

Furthermore, in wholly directed economies there is a need for close control of both imports and exports. This type of control is not easily adjusted to trade arrangements which permit all countries freedom of competition in the market of the nation with the directed economy; or, in other words, it does not allow trade to operate on the most-favored-nation principle. Trade is therefore kept under the restraint of special agreements, and this somewhat limits commercial expansion. In this connection it must also be kept in mind that much of the trade which in the past has furnished one country with the purchasing power necessary to buy goods from another has been so-called "triangular trade" — trade which is dependent on the free exchange of goods between more than two countries. But the commercial policies best adapted to planned economies restrict the possibilities of triangular trade, for they operate on the principle of balancing

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sales and purchases between particular countries. This tends to limit the amount of raw materials which may be acquired to what can be paid for by direct bilateral trade.

Comparatively speaking, the greater a country's demand for raw materials, the greater the extent to which it must shape its economic policies, both internal and external, to permit the conduct of a large volume of trade. For a country to satisfy its needs for extensive imports, it must adjust its economic arrangements to take account of the world trade outlook. Such arrangements have been judged at times by the countries which have emphasized their lack of raw materials as out of accord with major national policies — for example, the search for self-sufficiency in commodities of military importance. At times, even the effort to increase military establishments rapidly has actually meant the imposition of handicaps upon the export industries, the production of which might yield the purchasing power necessary for acquiring raw materials.

And lastly, when grave fears of war exist, trade does not flourish. Credits are restricted, long term development projects lapse and even current trade is easily disturbed. In short, when peace is seriously jeopardized, trade will lag behind its possibilities, and the ability of all countries to purchase abroad will suffer. The hope of enlarging trade needs the encouragement of peaceful intentions.

V

There is a rather curious identity between one of the aspects of socialist theory and some of the arguments recently advanced in support of the demand for direct political control over areas producing raw materials. According to Marxist doctrine, the capitalist state, unable to provide steady work for its people at home, will seek in expansion a means of employing them, either through the activities involved in the war itself or through the subsequent exploitation of the new resources which it hopes to acquire. Similarly, much of the literature defending pleas for territorial control emphasizes the need for additional raw material supplies in order to give work to rapidly growing populations.

This is too large a subject to deal with in a few sentences, but both logic and experience seem to indicate that neither the competitive capitalist state nor the controlled state can permanently assure steady employment to its citizens merely by ac-

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quiring territories containing raw material supplies. True, unless a densely populated industrial country can acquire raw materials through trade or otherwise, its standard of living will be low. True also, the acquisition of a thinly populated territory well endowed with raw materials may for a considerable time relieve unemployment in a densely populated industrial country, especially if the newly acquired area is contiguous, or roughly similar in environmental conditions, to the home country. True further, new capital investment is likely to be stimulated as a result of such territorial expansion, both in the newly obtained territory and in the home country, while the volume of bank credit or money will be increased. However, once the initial impetus generated by the expansion has run its course, the problem of unemployment will again arise.

But this fact has not yet become generally recognized. In the minds of most people, particularly the masses, the possession of raw material supplies seems to provide a hopeful answer to the haunting fear of unemployment and low wages. All of which only goes to show how necessary it is to distribute those supplies as widely as possible through the ordinary channels of trade, if we are to avoid the very economic difficulties and sufferings which lead some peoples to challenge the possessions of others.

VI

The preceding analysis concerns only the procurement of adequate raw materials to fulfill the normal needs of peace. When a government is preparing for war, other considerations naturally arise.

In time of war, a country can obviously count only on the supplies within the area under its military control. Distant sources will be available only to those able to dominate the sea and the air. Nevertheless, the political control of far-off resources is useful to the possessing country, even though those resources are located where they might be cut off by hostilities, because they permit the accumulation of stocks during the period of intensive preparation that usually precedes a war. This is certainly true if the country in question is willing to exploit those resources regardless of the cost or the effect upon its regular trade relations.

Large government subsidies are also used to stimulate production in the colonial areas beyond any capacity that could be attained by unaided enterprise. This policy is the same in its cost

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and results as that of subsidizing domestic production, of which the current British, German and Italian efforts to produce motor fuel from local resources are examples.

There is a further important element in the military calculations of the colonial Powers. If a country with overseas possessions can retain its military control over them in time of war, then it can exploit their resources regardless of whether or not the country's external purchasing power has been exhausted. And, within its own economy it can effect that wartime exploitation irrespective of cost. The military value of such supplies would naturally depend upon how indispensable they were and how great a military effort was required to retain them. In this latter regard, it should be remembered that the problem of protecting the wartime transport of goods from distant points, whether colonial or otherwise, is becoming increasingly more difficult. On the one hand, airplanes, submarines and other devices make it easy to interrupt commerce; while on the other, the actual volume of raw materials needed to conduct a protracted, large-scale war is greater today than ever before. Stomachs — on which armies used to travel — are more easily filled nowadays than are gas tanks and ammunition racks.

VII

As a matter of fact, colonies produce but a small part of the world's raw material supplies. In the report of the Raw Materials Committee of the League of Nations it is estimated "that, including production both for domestic consumption and for export, the total present production of all commercially important raw materials in all colonial territories (excluding dominions and other self-governing territories) is no more than about 3 percent of world production."

Hence the question of raw materials must in the main be regarded as a separate and larger question than that of the distribution of colonies. The additional supplies of primary products that might be acquired by such colonial transfers as have recently been under discussion would in reality satisfy only a minor fraction of the total raw material requirements of any one of the principal industrial countries. This remains true even if we allow for the fact that colonies can create foreign exchange resources with which to purchase raw materials from other countries.

However, it must be remembered that the amount of raw

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materials any given area will yield depends in no small degree on the way it is governed. The method of exploitation is also an important factor. In the past, production has usually been determined by the calculations of private enterprise, operating with independent labor and with an eye on production costs and financial return. But should any country decide to pay no attention to such considerations, it might increase the production of its colonial resources by using regimented labor, working for low wages under virtual military rule. Under such circumstances, the state can turn the productive energy of its people to the development of these supplies regardless of the effect on the standard of living. Raw materials, especially those used for armament, may be produced even though other goods are gone without. Difficult as this process may seem, an authoritarian state possibly would find it easier to carry out than to return to a dependence on international trade. Nevertheless, any country which adopts such an "autarchic" policy will, by curtailing its purchases from abroad, inevitably tend to reduce its own sales to other countries and will thereby, to some extent at least, offset any advantage which it may have gained by acquiring new productive areas.

VIII

Even if it were possible, it would be a waste of time to try to define in precise terms what is meant by "equality" in regard to the possession of raw materials. But this much is plain. There will always be great inequalities between countries in respect to the extent to which each must secure its raw material supplies by exchange with the rest of the world rather than by producing them within its own political boundaries. Whether any particular territorial transfer would increase or lessen the present inequalities would, of course, depend entirely upon the specific case. What will remain constantly true is that most countries must continue to rely on the international exchange of goods for the acquisition of much of the raw material supplies which they want.

For a country to obtain these supplies on terms favorable to both its living standards and its economic development, two conditions are necessary: (1), its internal economic set-up and its external commercial relationships must be so shaped as to permit the conduct of a large volume of trade; and (2), it must have a reasonable assurance that no other country will undertake ag-

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gressive war against it. These are the conditions necessary for creating those trade arrangements which alone can make adequate supplies of raw materials available to all countries on equally favorable terms. The only alternative is to continue the present wrangle over the raw materials question, with all the diplomatic, commercial and military manœuvring that it involves.

One last remark. I have spoken of adequate supplies. But there are no supplies — underground, in the stalks of plants or in the chemists' laboratories — adequate to sustain indefinitely an expansion of the armaments race. Or rather, the labor of man will not be enough to wrest them out of nature's storehouse. The greater the amounts that are mined and smelted and moulded into cannon and bombs, the greater the next demand will be. Men and women will labor and strain, great machines will drill ever nearer the core of the earth, and the night will be loud with engines and bright with searchlights. There will be rice and dried beans to eat, khaki to wear, and barracks to sleep in. And as the parades grow longer, the poverty will become deeper. The world, using more and more of its raw materials for such purposes, will march to war arguing that it is those raw materials which are lacking.

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# FINIS AUSTRIÆ

*By M. W. Fodor*

THE last chapter of the story that is Austria began in November when Viscount Halifax, then Lord Privy Seal, visited Berlin and Berchtesgaden and told Hitler that Great Britain was not interested in Central Europe. Unfortunately, democratic leaders are not good poker players and do not know how to counter the bluff of the dictators by bluffing back. I am not saying that I believe that Halifax promised Germany a free hand in Central Europe; but his hesitation to commit himself on the Austrian question certainly was taken by Hitler as a proof of Great Britain's disinterestedness in the fate of Central Europe.

There was more than one reason, however, which caused Hitler to revise his former policy toward Austria. Ever since the autumn of 1935 he had been anxious to make certain of Italy's friendship and to accomplish this it had been necessary to "neutralize" the Austrian question, *i.e.* to leave it aside. He did not consider that this course really jeopardized the Nazi cause in Austria. Between the autumn of 1935 and the autumn of 1937 he repeatedly declared to friends, and even to visitors, that he did not need to take any special measures in Austria, because he was convinced that some day it would fall into his lap "like a ripe apple." This belief of Hitler's was prompted by wrong information given him by courtiers and flatterers who asserted that Austria was ninety percent Nazi, and that he had only to press a button to obtain the "Anschluss" whenever he thought the time propitious.

Why did Hitler change his mind? The causes were the following:

1. He began to fear that the automatic Nazification of Austria might not be proceeding as well as he at first had imagined.

2. He was worried lest Great Britain's growing strength and the increasingly close coöperation between London and Paris might herald the end of the period of "cheap" adventures.

3. He felt that Germany for internal reasons required an ideological success, and he knew that a hungry people living on substitutes could be electrified into a new period of life by the fulfillment of Article One of the Nazi program: the inclusion of the Austrian Germans within Germany.

4. His nostalgia for his Austrian home was increasing day by

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day, as also was Goering's (few people realize that Goering's entire youth was connected with Austria).

5. He knew that Italian defenses on the Brenner were depleted as a result of Mussolini's Mediterranean commitments and the large Italian forces kept in Spain, Lybia and Abyssinia.

6. Goering, through his intimate connection with Guido Schmidt, Austrian Foreign Minister, realized that Chancellor Schuschnigg's zeal to defend Austrian independence and the interests of the Roman Catholic Church was no longer quite so ardent as in the days before the death of his wife, the change being due to a division between his allegiance to those patriotic and spiritual causes and the love of a lady.

7. Germany had watched with satisfaction the conflict between the partisans of Halifax and Eden, and was ready to utilize the animosity shown by Eden's followers and by the British Left against Italy to favor her own expansionist aims.

8. France was passing through a major crisis, and Germany hoped this crisis would become even worse.

9. The visit of Lord Halifax to Berchtesgaden on November 17, 1937, left Hitler with the impression that England would not interfere if Germany occupied Austria, and that she would dissuade France from going to the help of Austria.

The first ominous signs that plans to speed up the incorporation of Austria in Germany were really in the heads of German leaders were noticed during an interview which the French Ambassador in Berlin, M. François-Poncet, had with Baron von Neurath, Reich Minister of Foreign Affairs, just before Christmas 1937. In those days the French feared that Italy entertained certain ambitions in Tunisia, and the French Ambassador expressed his fears that some untoward Italian action in North Africa might cause complications which would involve all the major European countries in a dangerous conflagration. Baron von Neurath assured Ambassador François-Poncet that Germany would see to it that Italy did not start any such dangerous enterprise. But at the end of the long conversation, which touched on various European subjects, Baron von Neurath said: "I must add that Germany cannot any longer watch idly the sufferings of our co-nationalists in Austria." This was Germany's first official intimation to France that she intended to undertake some action — the nature of which remained undefined — about Austria.

And indeed the beginning of January 1938 brought signs of

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renewed Nazi activities in Austria. The center of these activities was the so-called "Committee of Seven" which had its headquarters in Vienna, at number 4 Theinfaltstrasse. This committee had been constituted a year earlier, as a result of the July 11, 1936, agreement between Hitler and Schuschnigg, for the purpose of incorporating the "emphatically national" groups (*i.e.* camouflaged Nazis) in the Fatherland Front, Schuschnigg's monopolistic political group. To serve the same purpose, two government commissars were appointed by Schuschnigg to facilitate the entry of the Nazis into the government camp, namely Dr. Arthur Seyss-Inquart and Dr. A. Pembauer, a Tyrolese Pan-German, who set up his office in the headquarters of the Fatherland Front. The chief members of the Committee of Seven were Captain Josef Leopold, the real leader of the illegal Nazis, Dr. Arthur Seyss-Inquart, Dr. Hugo Jury, a well-known Nazi, Dr. Josef Mannlicher, and Dr. Oswald Menghin, a Professor of Vienna University. The secretary was a Sudeten German, Dr. Leopold Tavs. But instead of preparing the way for the Nazis to enter the government organization, the Committee concentrated on promoting the illegal Nazi movement, and its headquarters in the Theinfaltstrasse became the real seat of Nazi agitation in Austria. Many of its members had great influence in government offices, and whenever a Nazi of some importance was arrested by the police the committee made use of its political connections to liberate him from prison.

In the middle of January 1938 the Austrian police were on the track of a plot which originated in the headquarters of this Committee and which had as its object the overthrow of the existing Austrian régime. The Austrian police, in the true Metternich tradition, always maintained their spies in all illegal movements. These spies apparently had access to the Theinfaltstrasse office. But though the police were cognizant of the existence of such a plot since early in the present year, they intervened only when very full incriminating material had been collected. Dr. Leopold Tavs was arrested in the third week of January, and Captain Leopold, the real leader of the illegal Nazis and a personal friend of Hitler, was interrogated at great length. After an all-night interrogation, however, Leopold was released. "Why make a martyr of one of Hitler's friends when we can hold the real author of the plan for a *putsch?*" explained a high official when I expressed surprise at Leopold's release.

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The plan for a *putsch* as elaborated by Dr. Leopold Tavs calculated on making another "Reichstag Fire" in Vienna. A crowd of Nazi *agents provocateurs* were to attack the German Embassy, in the Metternichgasse, and a shot was to be fired on the German Military Attaché, General Muff. Blame for the shooting affray was to be put by the Nazi propaganda machinery on the shoulders of the Legitimists, and in particular on a certain Walter Leibuscher, a strange man who at that time was playing an important rôle in the Legitimist movement. This Leibuscher, after having taken part in the illegal Nazi movement in Austria in the year 1934, escaped to Germany where he served in the Austrian Legion. Two years later he returned. Some suspected that from the beginning he had been an agent of the Austrian authorities sent to Germany to find out all about the Legion. It is impossible yet to make a final judgment about his rôle. But in any case he returned to Austria and there published a well-documented pamphlet about life in the Austrian Legion which was used by the Fatherland Front as anti-Nazi propaganda. Later he joined the Legitimists, and, according to a statement which he made to me, he was the bodyguard of Archduke Felix, a brother of "Emperor" Otto, at that time a pupil in the Military Academy at Wiener-Neustadt. In any case, the Germans believed Leibuscher more important than he actually was, and wanted to push onto him the blame for the projected shooting of General Muff.

This shooting by an alleged Legitimist was to create such indignation in Germany, and would be such an affront to the German Army, that, in the opinion of Tavs, the Army would agree that armed intervention was justified.

Apparently the Tavs plan was submitted to Heinrich Himmler, minister in control of the police in Germany. According to my information, Himmler exclaimed when he heard it: "But why shoot such a decent man as Muff? He is almost a Nazi! Instead, let's kill two birds with one stone. We shall make an attempt on Papen, which will have the double result of getting rid of that intriguer and at the same time of creating a major incident." He further is supposed to have suggested that the blame might be laid both on the Legitimists and on the Communists, proving the complicity of the Austrian Monarchists in a Bolshevik plot!

The plan was that when the *putsch* occurred the commander of the Munich army corps, General von Reichenau, who was known to be in complete sympathy with Nazi schemes, should promptly

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march his troops into Austria. To avoid any delay, Reichenau's army had been holding manœuvres in the Bavarian Alps, not far from the Austrian frontier, ever since the middle of January. All was planned and timed so that the military occupation of Austria could take place by January 30, the anniversary of the day when Hitler became German Chancellor. The discovery of the plot by the Austrian police created anger and disappointment in Germany. The birthday present to Hitler had miscarried. Moreover, German army quarters were considerably perturbed when they heard of the plan, considering that the willingness of General von Reichenau to act as a tool of the Nazi Party showed that he might at any time involve Germany in what the Army considered to be risky adventures. A politician may gamble; army leaders do not like to undertake a course of action which may end in military operations beyond a country's actual strength.

In particular, the Commander of the Army, General Werner von Fritsch, opposed the plan for a *putsch* because in the first place he believed that an armed invasion of Austria could, under certain circumstances, lead to a major war in Europe, for which Germany was not yet sufficiently prepared. Secondly, he disliked the idea of using force against a defenseless country which was absolutely friendly to Germany in military matters. For several months before the occupation of Austria there had existed an arrangement between the German and Austrian general staffs by which Austria promised not to participate in any armed action against Germany; and in return for this Austrian pledge General von Fritsch had given his word of honor to General Jansa, chief of the Austrian general staff, that the German Army would respect the independence of Austria in any operations which might be in view. Thirdly, the German general staff considered Austrian independence useful to Germany for various reasons, the most important, perhaps, being that in case of war a benevolently neutral Austria could be the intermediary for supplying Germany with many war materials otherwise unobtainable, and that the acquisition of Austria would lengthen the German frontier by 500 miles, thereby enlarging Germany's defense problem.

These seemed weighty reasons to a general staff whose calculations were based only on cold facts. But Hitler and the Nazi Party are ruled by ideological considerations and by emotion.

The world was flabbergasted when suddenly it heard that the Reichstag meeting which had been set for January 30, 1938, and

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at which Herr Hitler was to deliver an important speech commemorating the fifth anniversary of his access to power, had suddenly been called off. Only a few of us knew at the time that the reason for this sudden cancellation was closely connected with Austria and with the German Army's attitude toward the Austrian question. It was generally known that there was serious tension in Germany between the Army and the Party, but this appeared to have originated in misunderstandings regarding General von Blomberg's marriage to a lady not considered fit, from the traditional army point of view, to become the wife of a German Field Marshal. Actually, the marriage of Blomberg, while undoubtedly it played a rôle in the conflict, was subsidiary to the disagreement about Austria.

The result was the purge of February when General von Fritsch and a number of his friends were forcibly retired. Nevertheless, Fritsch's opponents, especially Goering and Himmler, both of whom apparently aspired to obtain the command of the Army, did not get satisfaction. True, Goering was appointed Field Marshal. But the command of the Army went to another member of the Reichswehr, General von Keitel. Hitler himself became supreme head of the Army.

After this victory over the Army, Hitler resumed consideration of how to conquer Austria. And, as has happened before in such delicate situations, suddenly Herr Franz von Papen appeared on the scene as *deus ex machina!* He had good reasons to intervene. He had lost his job as Ambassador in connection with the army purge. Moreover, he had heard the rumor of Himmler's recommendation to make him the victim of the *putsch* which was to force German intervention in Austria. Two days after the purge, then, on February 6, Herr von Papen suddenly arrived in Berchtesgaden and was received by the Fuehrer. He recommended to Hitler a better plan for the conquest of Austria than to start a *putsch*, namely to invite Schuschnigg into the lion's den, to Berchtesgaden, and there to subject him to a kind of "third degree" in order to force him to yield to the German demands.

Hitler apparently found Papen's scheme suitable for his purposes. On February 8 Papen returned to Vienna; and on the ninth he saw Schuschnigg and handed him Hitler's invitation, naturally telling him only half the truth about the aim of the meeting and even making a pledge that some particularly disagreeable questions would not be touched on in Berchtesgaden.

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Schuschnigg had nobody to consult about the invitation, because his personal relations with Mussolini had been strained since their Venice meeting in April 1937. His Foreign Secretary, Dr. Guido Schmidt, counselled him to accept, arguing that if he declined Hitler would be able to tell the world that he had wanted to offer Austria a generous peace but that Schuschnigg had turned it down. . . . So on February 10 Schuschnigg accepted.

Though great secrecy was observed about this invitation, a high Austrian official, who immediately realized that the Berchtesgaden visit might well lead to the destruction of Austria, found ways of informing the Italian Legation in Vienna; so that by noon on February 10 Mussolini had cognizance of Schuschnigg's coming visit. Mussolini immediately saw that he had been duped. In accordance with the Rome-Berlin axis arrangement he should have been consulted by Hitler regarding the invitation to Schuschnigg. Realizing that a dangerous situation was developing, on the same afternoon he sent the famous telegram to Ambassador Grandi in London in which he instructed him to let Chamberlain know by some means or other that "now or never" was the time for negotiations between Britain and Italy. It was two days before Chamberlain actually learned about the telegram. By that time Schuschnigg was already in Berchtesgaden. It was too late.

Schuschnigg left Vienna on February 11 and proceeded from Salzburg by automobile to the country residence of Herr Hitler near Berchtesgaden. He was accompanied by his Foreign Minister, Dr. Guido Schmidt, by his private secretary, Dr. Froehlichsthal, his aide-de-camp, Major R. Bartl, and by the head of the official Austrian news agency, Hofrat Weber. The last-named remained in Salzburg, awaiting Schuschnigg's instructions.

An incident at the frontier should have aroused Schuschnigg's suspicions and even caused him to turn back. His bodyguard of six trained detectives was not permitted to cross with him into Germany. When Mussolini visited Berlin last autumn he took 2,000 policemen and plainclothes men with him, and an even higher number of police accompanied Hitler on his recent journey to Italy. But another discomforting discovery awaited Schuschnigg. After crossing the frontier he found that his guard of honor was a certain Captain Spitzy, of the S. S., a former Heimwehr officer who after going over to the Nazis had fled to Germany. In Schuschnigg's eyes he certainly was a traitor.

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The real surprise, however, awaited him in Berchtesgaden, where Hitler treated him roughly and accused him of being a traitor to the German cause. Hitler's first demand was for the inclusion of Seyss-Inquart in the Cabinet as Minister of Interior and of Public Security, and when Schuschnigg refused he retorted by threatening an armed invasion of Austria. At lunch the army generals treated him just as roughly as Hitler did. Hitler would say: "General von Keitel, how many hours does it take from Munich to Vienna? Tell Dr. von Schuschnigg about the troops assembled on the frontier." And the General would comply.

Even under these circumstances, during eleven hours of torture, Schuschnigg refused to make a final commitment, arguing that only the President of the Austrian Federal State, Herr Miklas, had the power to dismiss or appoint Ministers. Nevertheless, he promised that personally he would favor the inclusion of Seyss-Inquart in the Cabinet. In return, Hitler promised in his next Reichstag speech to make a new declaration that Germany would respect Austrian independence and that he would not allow interference by German Nazis in the internal affairs of Austria.

Returning to Vienna, Schuschnigg immediately reported on his conversations to President Miklas. The latter refused to accept Seyss-Inquart as Minister of Interior and Public Security. He was willing to give him the portfolio of Justice, but nothing else. Thereupon on Tuesday, February 15, an ultimatum came from Germany. It demanded that Hitler's wishes be complied with at once, and that Seyss-Inquart be put into the Cabinet in charge of home affairs and of the police. If these demands were not complied with, the German Army would cross the frontier at midnight. Schuschnigg attempted to get in touch with Mussolini by telephone, but his endeavors during the whole day were futile. Mussolini had good reason not to answer. To stop the German menace to Austria he needed a display of troops, and he knew (and Hitler knew) that they were everywhere except on the Brenner. . . .

Under these circumstances Miklas and Schuschnigg had no resource but to accept the German ultimatum. During the night of February 15 the Schuschnigg Cabinet was reconstructed, and Dr. Arthur Seyss-Inquart became Minister of Interior and Public Security. At the last minute the Chancellor tried to counteract the effects of this appointment by nominating his trusted police chief, Michael Skubl, as Under-Secretary in the Ministry of Pub-

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lic Security, at the same time making him commander of all police and gendarmerie forces in Austria.

These changes effected under the threat of German arms greatly discouraged Schuschnigg's followers; while the Austrian Nazis naturally were proportionately encouraged by seeing their man, Seyss-Inquart, made Minister of the Interior. Schuschnigg was also under the disadvantage that he could not explain what really had happened, for he had been pledged to maintain silence about the Berchtesgaden conversations until February 24. It is true that a similar pledge had been made on the German side; but this was broken almost at once, and the Nazi press in Germany heralded the results of Berchtesgaden as a great victory for Nazism.

On February 20 Herr Hitler at last made his great speech before the Reichstag, the speech which he had expected to deliver on January 30 and which he had been forced to postpone because of trouble with the Army and the consequent failure of his Austrian plans. In this speech he failed to carry out his promise to Schuschnigg to give a pledge to respect Austrian independence and to withhold support from the Austrian Nazis; and he made only a vague reference to the agreement of July 11, 1936, in which he had first made terms with the Austrian Chancellor.

On February 24 Schuschnigg gave Hitler his answer in a meeting of the Austrian Corporative Parliament. His speech was courageous and helped to inject new strength and hope into his followers. But many neutral observers found it too provocative, and feared that Hitler would not take it as the last word. And, indeed, the Austrian Nazis promptly received their instructions to increase their agitation and their activities. When I visited Graz on February 27 the city bore the appearance of a Nazi stronghold, and motorized army units had to be sent there from Vienna to prevent a possible rally of the Styrian provincial Nazis and perhaps even a march on the capital. When two days later Seyss-Inquart visited Graz, 10,000 storm troopers turned out in uniform. And a similar enthusiastic reception was prepared for him in Linz on March 5. By this time the dynamics of the Nazi movement had shown their effects, and since the average man-in-the-street is a coward, the masses started to think that it might be better to orient themselves toward the side which appeared the stronger and whose revenge would be the more fearful. People started increasingly to wear the swastika badge.

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Ever since the reconstruction of his cabinet on February 15 Schuschnigg had had it in his mind to hold a plebiscite to reveal the strength of his popular support. It will be remembered that immediately after taking office Seyss-Inquart went to Berlin, where he saw Hitler, Goering and Himmler. Confidential information now reached Schuschnigg that Seyss-Inquart had been given instructions there to make preparations for holding a plebiscite in the late summer, which would reveal Nazi strength in Austria. Schuschnigg knew that once the money resources of Germany and the propaganda apparatus of Dr. Goebbels were let loose in Austria he would have a slim chance of winning. Therefore he decided to catch Hitler napping and carry out his own plan for a plebiscite before the German propaganda machine could get into action. First, however, he had to gain the support of the workers, and so long as these negotiations did not promise success he kept his intentions secret.

The negotiations with the workers shortly took a favorable turn, and on March 9 Schuschnigg announced his plebiscite for March 13. Students of the Austrian situation on the spot calculated that without any interference from the government Schuschnigg probably could receive 65 percent of the total votes in Austria, and that aided by a certain amount of pressure the proportion probably could be stretched to 75 percent. But Schuschnigg's lieutenant, the secretary-general of the Fatherland Front, Guido Zernatto, committed a cardinal mistake and gave food to Hitlerite propaganda by announcing that only "Ja" votes were to be printed on the ballots, whereas those who wished to vote "Nein" would have to write it in by hand. This provision was changed a few hours after it was announced, *i.e.* on the evening of March 10. Further, all voting blanks were to be of the same size and secrecy was to be assured for all. This final decision did not become generally known abroad, though the Austrian radio announced it on the same night, and the Austrian newspapers printed it next morning. The Nazi press of course suppressed the news in Germany. I telegraphed the facts about the change to the *Manchester Guardian* and they also were carried in the London *Times* and other English papers on March 11.

At first, the Austrian Nazis were at a loss, for they had no clear instructions from Germany. The local leaders on their own responsibility advised their followers to abstain from voting at the plebiscite. Meanwhile, however, they arranged disorders in Salz-

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burg, Innsbruck, Linz and Graz. Schuschnigg, in turn, could not make up his mind to suppress these disorders energetically. Without instructions from above, the police in the provinces were doubtful what to do. Hitler had retired to Berchtesgaden to contemplate. Some weighty decision was expected.

Meanwhile, Schuschnigg's chances in the plebiscite appeared excellent, though the final negotiations with the Social Democrats were proceeding somewhat slowly, owing to the regrettable tactics of Herr C. Staud, the leader of the Catholic workers and president of the government-controlled trade unions. Staud apparently feared that a thoroughgoing agreement with the Socialists would deprive a number of his followers of their official trade union jobs, and he made certain difficulties. The workers wanted free elections in the trade unions, wanted members in plants and factories to be entitled to elect their own shop "stewards," and demanded the right to establish a newspaper representing the workers' views. Amongst those who negotiated on the Social Democratic side were Dr. Robert Dannaberg, for many years considered the financial expert of the Social Democratic Party, and Dr. Seiler, who in the Socialist era had been an editor of the *Arbeiter Zeitung*. On the evening of March 10 it looked as though the negotiations had broken down because of Staud's unyielding attitude, but they were again resumed during the night. The workers of course realized that the independence of Austria was at stake in the plebiscite. Schuschnigg's chances therefore were good, for they were going to vote for him in any case. But it is a pity that a specific understanding was not reached more promptly.

As I said above, impartial foreign observers estimated that from 65 to 75 or 80 percent of the voters would favor Austrian independence. The Fuehrer, be it remembered, had complained for many years that Schuschnigg had refused to have a plebiscite. Now it was to be held. But Hitler knew, as all of us in Vienna knew, that Schuschnigg was going to win. He therefore had to make an immediate and decisive move.

It was early in the afternoon of March 11 that the report of a new German ultimatum to Schuschnigg reached our ears in Vienna. The ultimatum demanded that the plebiscite be abandoned. The Chancellor, whose nerves had been under a great strain since Berchtesgaden, apparently lost heart. The threat of German armed intervention and of possible bloodshed terrified him. Once again he tried to reach Mussolini — once again in vain. He no

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longer saw any reason to discredit the rumor that Mussolini had definitely sold him out to Hitler against concessions in the Mediterranean. He yielded.

Just after 7 o'clock on the afternoon of the eleventh the Austrian broadcasting system announced that the Chancellor was about to speak. At 7:50 he announced his resignation. He said that Germany had demanded that he hand over the reins of power to another man (inferentially Seyss-Inquart), that German troops would cross the frontier and occupy Austria, that he had appointed General Schilhavsky commander of the Austrian troops, and that he had instructed him to fall back before the advancing German troops without resistance in order to avoid the spilling of German blood. "God help Austria," were his last words.

Thus with at least 70 percent of the population behind him the leader deserted the flag. Nobody had offered him help or even encouragement from outside. But there were two other important reasons for his action. He no longer seemed to possess the deep religious faith and the unconditional belief in Austria which he had held in previous years. Some attributed this to the fact that recently he had been torn between duty and love. Moreover, his faith had been badly shaken by the desertion of two of his most trusted friends, namely Dr. Guido Schmidt, his Foreign Minister, and Dr. Arthur Seyss-Inquart. They had been his friends from school days.

Once the Chancellor had resigned the Nazis acted swiftly. By nightfall "Elite Standard 99" of the illegal Nazi storm troops (S.S.) had occupied the Chancellor's office and had surrounded other public buildings.[1]

The foreign correspondents in Vienna believed that the German troops had already crossed the frontiers. But our inquiries on the telephone at various frontier points brought no substantiation. Everywhere Austrian gendarmerie officials informed us that German troops had not as yet crossed into Austria. 6 P.M. . . . 8 P.M. . . . Midnight. Everywhere the inquiries brought a negative answer. Actually it was at 5:40 A.M. on the twelfth that a small contingent of German troops finally crossed the frontier at a point in Tyrol, and then at 6:20 A.M. troops started to pour across at a series of places — at Scharnitz, Kufstein, Salzburg,

[1] In 1934 it had been "Standard 89" of the S.S. which made the *putsch* against the government of Chancellor Dollfuss. That division of the illegal Nazi storm troops occupied the broadcasting office, announced that Dollfuss had resigned, and simultaneously attacked the Chancellor's office and murdered him.

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Passau, etc. Why did Hitler wait so long, from 7:50 P.M. on the eleventh until 5:40 A.M. on the twelfth?

Hitler's hesitation was due to the need of making sure whether or not Czechoslovakia contemplated any military move in the event of the occupation of Austria by German troops. At nine o'clock on the evening of the eleventh the German Minister in Prague, Herr Eisenlohr, called on the Czechoslovak Foreign Minister, Mr. Krofta, and asked whether Czechoslovakia had ordered a mobilization, because rumors to this effect were circulating in Berlin. He was given a categorical answer in the negative. Twice more during the night the German Minister telephoned asking that the assurance be repeated, the last time at 3 A.M. on the morning of the twelfth. Only after it was certain that Czechoslovakia had taken no measures to defend Austrian independence did the German troops receive their orders to march. The proceeding shows how cleverly Hitler had calculated his moves. He knew that Great Britain was handicapped by the quarrel between the followers of Halifax and Eden, and that France had just passed through a major crisis and on that very night had no Premier. But only when he was certain that Czechoslovakia had not mobilized did he give the orders to march into Austria. Hitler knew that Czechoslovak intervention might soon have led to the intervention of France, and even of Russia, and that the German Army was not prepared for a general war.

But although the diplomatic skill with which Hitler effected the occupation of Austria calls for recognition, I believe it possible that his ideological views and his sentiment led him to overreach himself. The Army was always against a move into Austria, and now we know why. Those who saw the broken-down heavy tanks and the scores and scores of motor-lorries stalled along the Austrian roadsides on March 12 and 13 realize that the matériel equipment of the German army is far from perfect. Further, as I said above, the Army fears that the lengthening of the German frontier imposes too heavy commitments on it, even though for the time being those parts of the new frontier which adjoin Italy, Jugoslavia and Hungary appear to be manned by friendly armies. But how trustworthy an ally is Italy? And is Jugoslavia 100-percent sure even as a neutral? As for Czechoslovakia, the anxiety shown during the night of March 11 about a possible Czechoslovak mobilization shows that Germany is not in a position to carry out an open attack on that country, which possesses an

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excellent army with first-class equipment and which is allied to France and Russia. The "conquest" of Czechoslovakia will doubtless be attempted, but by other methods, by creating unrest amongst the Sudeten Germans, by encircling Czechoslovakia politically and by strangling her economically. The first step in this direction doubtless will be an attempt to draw Hungary into the German orbit.

If Hitler is prevented from carrying out his schemes for the domination of Czechoslovakia, the Nazification of Hungary, the establishment of satellite governments in Jugoslavia and Rumania, and even the extension of German influence into Turkey, the cause probably will be Russia. When he occupied Austria, Hitler took over the old Hapsburg heritage of *Drang nach Osten*. And during over a century Austria always was opposed in this policy by Tsarist Russia. Stalin's Russia, which is becoming increasingly nationalistic, will hardly allow Hitler to secure control of the raw material resources of the Danubian and Balkan countries, for that would enable him some day to conduct a successful war against the Soviets. Of course, Britain rather than Russia may in fact be the foe singled out by Germany. That will depend on whether, when the time comes to decide, Hitler or Goering has the prevailing influence. Hitler's *idée fixe* is to make war on Russia and to conquer the Ukraine as a colony; Goering believes that Britain, the strongest European Power, must be defeated in order to assure Germany world domination. But it is my opinion that, regardless of the German attitude toward Britain, Russia is unlikely to stand aside indefinitely while Germany obtains the raw materials which she then could use to attack her successfully.

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# THE FINANCIAL SITUATION OF FRANCE

*By Charles Rist*

THE French financial situation is a cause of deep anxiety not only to Frenchmen but to their neighbors and friends. What, exactly, are the difficulties in which France finds herself? What are their origins? What are the solutions?

Everybody knows that the present situation cannot continue indefinitely. But very few have the courage to face the fact that a crisis will inevitably occur unless remedial steps are taken. Politicians always have the vague hope that something unforeseen — economic recovery or the revival of international trade — will intervene to render painful decisions unnecessary. Self-styled financial writers, with more imagination than experience, offer all kinds of fantastic plans which obscure the stern realities. To be sure, France has known other periods in the recent past which were at least as difficult. In 1925 the task of balancing the budget appeared Herculean; the flight of capital out of the country seemed irresistible; the most absurd proposals received public credence. Yet at that time a firm determination to balance the budget was enough to restore confidence. Confidence, in the words of John Law, is merely "the certainty of being paid."

II

Two fundamental phenomena characterize the French financial situation of 1938: the flight of capital and the unbalanced budget. Any unprejudiced observer would regard the flight of capital as the result of the unbalanced budget. But not the French public or French statesmen. They are extremely loath to treat the matter so simply. Yet one has only to trace the development of each factor to realize how closely they are related.

The flight of capital from France did not begin yesterday, nor with the rise of the Popular Front to power in June 1936. It began much earlier. Ever since 1933 the Bank of France has been confronted with an outflow of gold. Measured in terms of the Poincaré franc, the Bank's gold reserves were 81.1 billion francs in 1933, 78.9 billion in 1934, 75.3 billion in 1935, 57 billion at the end of May 1936 and 50.1 billion on the eve of devaluation in Sep-

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tember 1936. The gold reserve had fallen to 38.7 billion francs on January 20, 1938, although this figure does not include the small amount of gold earmarked for the Exchange Stabilization Fund. These flights of capital originated in the conviction that sooner or later the franc would have to be devalued. They occurred during the ministry of Daladier in 1933 just as they did under Doumergue in 1934 or Flandin and Laval in 1935. But in August and September 1936 the flow was accentuated and ended in the first devaluation, that of September 1936. Immediately the pound sterling jumped from 75 to 105 francs, touched 110 in March 1937 and reached 150 in July, after the decision was made to let the franc seek its own level.

Since early in 1936 the Bank of France has lost 37.3 billion francs in gold (figuring the gold content of the franc at 48.5 milligrams). Curiously enough, this loss of gold is practically equal to the increase of advances made during the same period by the Bank to the Government — 32 billion francs. The coincidence is the more startling if one considers only gold lost by the Bank due to export of capital, excluding for the moment gold exports for settling the balance of payments.

Incidentally, from the day in September 1931 when the British went off gold, sterling exchange declined gradually until from being worth 125 Poincaré francs it was worth only 75 Poincaré francs. As there was no proportionate increase in British commodity prices, the benefit of the relative cheapness of the franc established by M. Poincaré was lost to that extent.

But the French public persist in comparing the current gold content of the franc with what it was before the war and consider the reduction in gold content to mean that they have lost 90 percent of their wealth. This, of course, is absurd. National wealth has not diminished in this proportion; indeed, it has probably increased. To identify shrinkage of the gold content of the franc with shrinkage of the country's wealth is as ridiculous as it would have been during the war years to believe that the wealth of the country increased in proportion as the Bank of France issued more and more franc notes and prices skyrocketed. What is true is simply that there was a cut in the claims of one part of the nation — the creditors — on the national wealth. Their income, expressed in gold, has decreased because of the successive devaluations. To a certain point this cut is justified, for the rest of the nation at present could not, without going into bankruptcy,

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repay the creditors in the gold values at which the obligations were originally contracted.

The fall of the pound sterling between 1931 and 1934 cancelled some of the advantages which Poincaré had obtained in stabilizing the franc. And when as a consequence of the fall of the pound the franc was again devalued to reëstablish the old ratio of 125 to the pound, the effect was only to readjust the price levels of the two countries to their previous relationship. But many things had happened in the five years between the British and French devaluations. Most important, the depression had caused the French national income to fall from 250 billion francs to 190 billions annually.

The decrease in national income resulting from the fall in prices at once manifested itself in budget deficits. As a matter of fact, deficits had begun five or six years earlier and had increased steadily. The budget of 1930–31 showed a deficit of 4.9 billion francs; it grew to 5.5 billion in 1931–32, 6.5 billion in 1933, 8.8 billion in 1934, 10.4 billion in 1935, 7.8 billion in 1936, and reached from 7 to 8 billion in 1937. We are speaking here only of the *ordinary* budget. To these amounts should be added the expenses which are called in France "les charges de la Trésorerie," and which constitute an *extraordinary* budget for which no revenue is provided. These additional expenses are estimated at 30 billion francs for 1938. M. Blum estimated that they might reach even 40 billion francs. I shall explain in a moment the nature of these extraordinary expenses.

These deficits have been met by borrowing. Since 1931 the Government has borrowed about 126 billion francs, of which 32 billion (as of March 1938) were advances made by the Bank of France. The British and American Governments were also borrowing during this period, but at very low rates, thanks to the fact that in both countries there was a surplus of capital seeking investment, and to the banks' habit of using their deposits to buy government issues in the open market. The French Government had difficulty in borrowing even at an interest rate of 7 percent or better. Thus no funds were available at reasonable rates for the needs of industry, and the depression was thereby intensified. The financing of short-term Treasury notes became increasingly difficult because of the decrease of bank deposits, caused by the flight of capital.

While the Government's income was falling as a result of the

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causes mentioned, its expenses increased because of the intensification of rearmament, relief for the unemployed, and the growth of the railroad deficit, which is met by the Government. Let me give a few figures to show the financial effects of increased rearmament to keep pace with German rearmament, and of the unprecedented economic depression. The following table considers the French Government's expenditures for 1938 under two heads: those covered in the ordinary budget; and the total expenditure anticipated, including sums in excess of expected receipts.

| | *Ordinary Budget (in billions of francs)* | *Total Expenditures (in billions of francs)* | *Percentage of Total Expenditure* |
|---|---|---|---|
| Public Debt | 11.6 | 11.6 | 16.9 |
| Civil Pensions | 5.9 | 5.9 | 8.5 |
| War Pensions | 5.0 | 5.0 | 7.3 |
| National Defense | 10.8 | 22.0 | 32.1 |
| General Administration | 19.2 | 19.2 | 27.7 |
| Railroads | 2.2 | 2.2 | 3.2 |
| Public Works | | 2.4 | 3.4 |
| Recoverable Outlays | | 0.6 | 1.0 |
| *Total* | 54.7 | 68.9 | |

Three general observations can be drawn from these figures. (1) The cost of administration is less than one-third of the total expenditure; national defense represents another third; while interest on the national debt and pensions account for the remaining third. (2) The difference between expenditure foreseen in the ordinary budget and the total expenditure really expected is made up, essentially, of two items: increased appropriations for rearmament (12 billion), and the cost of public works to deal with unemployment. If these two items — totalling about 14 billion francs — were eliminated, the budget apparently could be balanced. (3) However, the difference between income and outgo is actually greater than indicated, for the state must make good the railroad deficit and assume certain communal and departmental liabilities, while military expenses are always greater than anticipated. Thus it probably is spending 30 billion francs a year more than it is taking in.

The parallel between the continuation of budgetary deficits and the export of capital is striking. Evidently the basic and causal phenomenon is the deficit; but, oddly enough, it receives less attention than the flight of capital. The latter is what the public observes and tries to explain.

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The explanations found are generally political. Some people blame the character of the present parliamentary majority. They point out that the Socialists are the dominant political party and the Communists one of the majority parties, which fact is alleged to frighten the moneyed groups into sending their funds to other countries. The explanation would be more convincing if the flight of capital had not begun before the advent of the Popular Front Government of 1936. It occurred even under a conservative government, *e.g.* in 1922, when M. Poincaré was in office and the strength of the Socialists and Communists was insignificant. It is true that the rise of the Popular Front Government may have given many people the idea that very severe tax measures would be adopted; and these may for that reason have sent their funds abroad for safekeeping. But such exports are only a drop in the bucket compared to the steady outflow of gold that has been going on for years.

Others blame recent social trends — disputes between employers and employees, the increase of strikes — and allege that capital will hurry back as soon as laws are enacted determining the respective rights of employers and employees and establishing peaceful methods of arbitrating labor disputes. Labor troubles certainly have accelerated the outflow of capital. But it would be quite illusory to imagine that the elimination of labor disputes would put an end to doubts as to the stability of the currency.

Still other observers discover the cause of our woes not in political or social trends but in the unfavorable trade balance. But this is not so significant as is generally believed. The unfavorable trade balance of 16 billion francs in 1937 is only part of the story, for it was to some extent counterbalanced by invisible items due among other things to the influx of tourists visiting the Paris Exposition. A group of experts has recently estimated that for the year 1937 France really had an unfavorable balance of payments amounting to not more than 5 billion francs. Moreover, in any consideration of imports, one must take account of forward buying, *i.e.*, purchases for future delivery, by means of which Frenchmen hope to cover themselves against losses due to a possible devaluation. The unfavorable trade balance, though not a negligible factor, is much more the result of the monetary crisis than its cause.

All these explanations of the flight of capital are secondary compared to the persistence of budget deficits and the attendant

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fear of renewed inflation. Everyone knows that while the Government spends more than it receives and while the French money market is unable to extend loans of 30 billion francs to meet the difference, the Government has but one recourse: to borrow from the Bank of France. They also know that this alternative, if in the least prolonged, must unavoidably result in a new devaluation. The fears which spring from this fact affect all classes of French society. Quite irrespective of political philosophy, and disregarding whatever social uneasiness may prevail, Frenchmen of all classes agree in wanting to put their savings in a safe place. This is true whether the savings are small or large. In the case of exporters, they are keeping cash which they receive from sales abroad in foreign currencies. But there is not a single Frenchman who has funds which he cannot immediately use who does not reflect whether it might not be safer to send them abroad than to keep them at home.

Hence the vigor and persistence of the capital outflow. And hence its interruption whenever the French public discerns the beginnings of a more intelligent financial policy. Twice during 1937 a considerable repatriation of capital occurred: in March, when the Blum Government announced a breathing spell, and in the autumn when measures taken by Georges Bonnet seemed to point to a new financial policy. With the advent of Daladier in the spring of 1938, the same hope led to the same repatriation. In a word, the same cause which brought about the export of capital in the years 1922 to 1924, before the Poincaré reforms, still produces the same result; and the factors which then caused the flight to cease still have that effect.

If there were no fear of an unbalanced budget, the technical conditions for a return of capital to France would be suitable. For one thing, the rise of prices necessitates putting more francs in circulation. Industry is so short of funds that it would be virtually obliged to repatriate a part of its capital funds. In the second place, conditions would be such as to encourage foreign-owned capital to seek investment in France. For it must be remembered that the movement of capital in and out of France is not determined by French buyers and sellers of francs alone, but also by the demand for francs in world markets. Given the very high money rate in France as compared to the low rate elsewhere, it would be reasonable and natural to expect foreign capital — short-term capital at any rate — to seek investment in France.

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Now what is it that has stopped foreign capital from seeking investment in France? The fear, even of short-term capital, that there will be a devaluation of the franc and hence a loss when the investment is ultimately re-converted into the original pounds or dollars. Just as a rise in the value of the franc attracts foreign capital, so whenever the outlook is for a continued or even an irregular decline in the franc no one is attracted by the French investment market. An examination of French security prices shows that most of them are unduly low. With a minimum return of confidence, they ought to rise substantially. Thus the prolongation of the budget deficit and the fear of fresh demands on the Bank of France not only cause Frenchmen to export their capital but dissuade foreigners from sending their funds to France and lead them to seek investment elsewhere.

Many people attribute our financial woes to the enactment of the law for a 40-hour week, with a consequent decrease in production and an increase in operating expenses. I have no intention, certainly, of trying to defend a law which is indefensible, one which has resulted only in stepping up production costs in a country where the demand for unskilled labor is always greater than the supply. But although I strongly hope that the law will be modified, I cannot admit that to do so would be enough to affect the exchange situation. So long as budget deficits continue on their present scale, there will be no return of confidence in the franc.

From whatever side one approaches the problem, one always comes back to the fact of the unbalanced budget. If so many statesmen refuse to face the issue squarely, that probably is because the problem of balancing the budget is so difficult to solve, because the fiscal and political obstacles along the road are real. I should like to discuss these obstacles briefly and indicate to what extent they might be lessened if not eliminated.

III

Here is the problem in a nutshell: How can France, whose total national income does not exceed 250 billion francs per year, support a budget of 85 billion, when only 55 billion of that sum is provided by taxes and when the remaining 30 billion must be raised in some other way? The problem is insoluble if the budget is required to provide for the enormous costs incurred by the last war and the even greater cost of preparing for defense against

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new international dangers. The costs of the previous war can be lightened in only one way: ending the process of amortizing the debt and reducing the interest rate on it. Both steps naturally will encounter serious political resistance. It is so easy for any political party, whatever its hue, to assume the rôle of defender of established contracts! But in this particular case any such position would be hypocritical. If the budget is not balanced, the holders of *rentes* will certainly suffer from a decline in the purchasing power of their income. The restoration of a balanced budget, on the other hand, will carry definite assurance of payment of interest and will thereby increase the market value of government bonds. It is better to sacrifice form to substance than substance to form.

Economically it is absurd for the Government to borrow at 7 percent in order to amortize obligations contracted at 5 percent. It is equally absurd to continue to drain the money market by loans at practically usurious rates. France has not been able to create the abundance of capital which in London and New York permits interest rates of 3 and 4 percent. But it must be achieved either by the procedure adopted in Belgium or else by making Government *rentes* subject to the income tax. The sacrifice demanded of *rentiers* is the same in either case although it is obtained in a different way. The result would be a saving of about 8 billion francs; and two billion more could be gained by other reductions and by a readjustment of taxes.

A second measure, equally important, is the necessity of giving the money market a breathing spell, so that interest rates can gradually fall. Perhaps this can be achieved earlier than we expect if the Government will guarantee that no more than the 12 billion francs in the extraordinary military budget will be asked for this purpose. We must have no illusions about the permanence of the extraordinary military budget. For a long time to come — unless the international situation improves rapidly — the Government must continue to borrow to meet a part of its military expenses. But it cannot afford to prolong the economic crisis by borrowing at such a high rate that industry is unable to compete in finding new capital. State borrowings must be allowed to take only a part of the annual national savings.

The repatriation of capital will make the lowering of the interest rate easier. And repatriation will begin just as soon as the Government announces a reasonable financial program that will

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give the public confidence in the future of the franc. Under such conditions the money market will gain a reassurance which today it lacks, and the Government can finance many of its needs by Treasury notes rather than by advances from the Bank of France. Increasing confidence will justify the Government in expecting that the same taxes will yield greater returns, which ought, in a year or two, to balance the budget for all items except the extraordinary military expenses.

As early as next year we can expect a real decrease of expenditure which will greatly facilitate the finance minister's task. The fact that the railroads have been put in a healthier condition has already resulted in a reduction in their operating deficit, and this will be reduced still more if general economic conditions improve even slightly. Relief for the unemployed ought also to diminish as business picks up. Finally, the curtailment of public works and of unwarranted loans by the national government to the cities and departments ought to help in getting the budget in balance.

It is not outside the bounds of reason to suppose that a financial program based on the simple principles here set forth should, within two years, restore an equilibrium which, though perhaps not perfect, will nevertheless be adequate to dispel fears of a new devaluation.

It will have become evident in the preceding pages that for the last three or four years French finance has been dominated by the requirements of rearmament. In the early postwar years the dominant factor was the need of reconstructing the devastated areas. This need produced the budget item which caused the principal difficulties of the early 1920's. Hardly had reconstruction been completed and hardly had Poincaré stabilized French finances, when the country encountered the depression of 1931. The successive devaluations of the pound and the dollar placed the French budget in jeopardy. Then came the intensified rearmament of Germany and the openly expansionist policy of Chancellor Hitler. The spectre of war, which we thought had been banished for decades, reappeared. As a result, during the last five years France has had to double its military expenses. We could have borne even the cost of unemployment relief had it not been for the rearmament burden. But the coincidence of the depression and of intensified rearmament was fatal to budget balance so brilliantly achieved from 1926 to 1930.

For this reason it really is most unjust to attribute the cause

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of our woes to the errors of French statesmen or their lack of vision. These men have had to cope with international events not of their making and not within their power to control. What one can rightfully ask of our statesmen, however, is to demand sacrifices from the French people, and to do it promptly. Given assurance regarding the future, I think that Frenchmen will rise to the demands of today. Shortly after the war one of my American friends remarked: "The only criticism I can make of French statesmen is that often they underestimate the great sacrifices their fellow citizens will make." Now as then, the French are ready to give what must be given to restore monetary stability. But their statesmen must have the courage to ask it of them.

IV

During the early weeks of May, two events confirmed this view: an 8 percent increase in existing taxes, which ought to add 4 billion francs to the Government's revenues; and a new devaluation, which resulted in an exchange rate of 176 francs to the pound. At once there occurred a considerable repatriation of French capital and an influx of foreign short-term capital seeking investment. The banks immediately made use of these funds by subscribing on an extremely large scale to short-term Treasury notes. The result was a lowering of short-term interest rates as well as of the discount rate of the Bank of France; and the Treasury was placed in a position where it can face the expenses of the next few months without worry. The Government has given assurance that it will not permit the pound to rise above 179 francs.

All this confirms the belief of those of us who looked on the flight of capital as being primarily motivated by fear of a new devaluation. Also confirmed is the argument that a return of capital is the only way of lowering the interest rate. A Government loan can now be issued at a much lower rate than was possible with preceding loans.[1] The events of early May are extremely fortunate not only in themselves but for the immediate justification they gave to opponents of the policy of exchange control.

But we must not exaggerate their significance. Monetary stability cannot be achieved by Government decree. As in the past, it can only be maintained by the reëstablishment of a balanced

[1] *Editor's Note.* The May 16 issue of 5 billion francs was on the following terms: coupon, 5 percent; issue price, 98; repayable at 120, by drawing by lot from 1941 to 1968; repayable at par, at option of holder, every three years beginning May 15, 1941. Yield to first optional redemption date, approximately 5.7 percent.

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budget and by an increase in national income. The level of French prices expressed in gold has fallen below that of foreign countries. France therefore is in an excellent position to increase its exports of merchandise. No danger to the currency can arise from this kind of price disequilibrium. The only danger comes from financial uncertainty and the lack of balance between the Government's income and outgo.

Recent events strengthen the contention put forward in these pages regarding the necessity of including in the ordinary budget *all* expenditures with the exception of those for increased armament. More than ever the Government must set its financial house in order and not appeal to the Bank of France to meet a budget deficit. The increase of general taxes, which has just been voted, will only just balance the ordinary budget. The tremendous extraordinary expenditures will be only slightly affected. I am convinced, therefore, that the only way of balancing the over-all budget is to suspend, purely and simply, part of the service of the national debt — in particular, to suspend amortization and to levy a tax of 2 to 3 billion francs on income derived from Government bonds. The holders of the bonds will largely be compensated by the increased market value of the bonds themselves.

I do not make such suggestions lightheartedly. But I hope that in making them I shall be able to do something to help the American reader understand the great problem that confronts us. The World War forced the French Government to make unprecedented appeals for the savings of its citizens, first to carry on the war to victory and then to rebuild the devastated areas. It is not easy for the Government to break faith with those who responded to its appeal in the hour of need. But the reason why the step is necessary is obvious: the fresh menace of a general war which, if it occurs, will destroy material wealth and mankind's intellectual heritage the world over on so gigantic a scale that even the vast destruction of the last war will pale into insignificance.

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# CHINA'S FIGHTING GENERALISSIMO

*By Edgar Snow*

WHEN Chang Hsueh-liang startled the world by imprisoning Chiang Kai-shek at Sian in December 1936, he was so indiscreet as to recount in public a conversation he had had with the Generalissimo only a few weeks before. Chang had ventured to criticize the central government for arresting a number of anti-Japanese intellectuals. The Generalissimo rejoined that the responsibility was his alone. "*I am the Government*," he said. "My action was that of a revolutionary."

Few would disagree with the accuracy of at least the italicized phrase. For during the past decade Chiang has held in his hands more political and military power than any living Celestial. What is more, his supremacy has never been more unquestioned than in the present hour of China's mortal agony. When last March the Kuomintang Congress named him "Tsung Tsai,"[1] it merely recognized with a title the dictatorial authority which he has long exercised over the party, the government and the army. As the undisputed leader of the most populous nation on earth, he is therefore decidedly worth trying to understand.

Chiang arrived in this world in 1887, at the small village of Chikou near Ningpo, the oldest "treaty port" of China, and not far from Shanghai. His father, a wine merchant and small landlord, had five children by three marriages; Kai-shek was the first son of the third wife. The elder Chiang died when Kai-shek was nine, so that the son grew up almost entirely under his mother's care. Like most "strong men," Chiang attributes to his mother extraordinary qualities of character, and he speaks of her in terms of deepest reverence and gratitude. But it is doubtful if he possesses any such mother-complex as Hitler or Ataturk. "The only one who believed in whatever I had undertaken to do, and did everything to help me, spiritually and materially," he says, "was my mother. As a boy she loved me very dearly, but her love was more than the love of the average mother; she was a very strict disciplinarian." Chiang's own rigid insistence on national discipline, a quality which had become almost extinct in China as a result of many years of Manchu domination, probably traces

[1] "Tsung Tsai" literally means "General Planner," but implies also the possession of full power to make final decisions.

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to his mother's training, reinforced by later tutelage in Japan.

Chiang's mother, a devout Buddhist and an ancestor-worshipper, was a believer in Confucian ethics, especially as regards filial piety — faiths which she early implanted in her son. This background, together with the gentry tradition of his birth, may to some extent explain why he became a military reformer but not a social revolutionary. It also explains why Chiang's conception of loyalty is the classical one of old China — not as a bond between equals, but as a somewhat feudal code between inferior and superior: son to father, subject to ruler, soldier to general, general to Heaven. This is the authoritarian relationship demanded by Chiang from his followers and it forms the basis of his personal ethics.

Nothing very prophetic of his future seems to have happened to Chiang in his early youth. He had severe illnesses, and as a boy he was neither robust nor especially brilliant. He was fond of play-acting stories of feudal combat with himself as "chief," and evidently he made up his mind very early to be a soldier.[2] He cut off his queue and in 1907 enrolled in the Paoting Military Academy. In the same year he qualified to study military science in Japan at the expense of the Manchu Dynasty, which he soon determined to help overthrow.

In Tokyo, Chiang entered the Shinbo Gokyo, a training school for Chinese, where he graduated in 1909. He then joined the Japanese 13th Field Artillery, with which he remained until 1911. In Japan he met Sun Yat-sen, then a political exile from China, and joined his anti-Manchu "T'ung Meng Hui," precursor of the Kuomintang, or Nationalist Party. His sponsor at this meeting was Chen Ch'i-mei, a none too savory item of the Shanghai underworld who was later assassinated. Chiang worked under Chen when he returned to China in 1911 in time to participate in the overthrow of the Manchu garrisons in Shanghai and Hangchow. But that first revolution proved abortive when old Yuan Shih-k'ai, after seizing power and attempting to enthrone himself as Emperor, in the end only succeeded in leaving behind him an era of provincial warlordism and debt.

For nearly a decade the fortunes of Chinese revolutionists were quixotic, and Chiang did little to distinguish himself. He lived most of the time in Shanghai; for a while he was a clerk,

[2] Hence possibly the name Kai-shek (in Mandarin Chieh-Shih), which means "border stone" and has a valiant ring to it.

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then an exchange broker, backed by the wealthy curio dealer, Chang Ching-kiang. Occasionally he wrote political pieces or articles on military science.

Further details of Chiang's personal life at this time are not particularly relevant; it has been called his "dissolute period," and a number of questionable stories of it survive. It was from all accounts far from exemplary. But meanwhile he loyally kept up his association with Dr. Sun Yat-sen, though it was a period when the Kuomintang, then a defeated party, was politically demoralized. After 1920, as revolutionary hopes revived, he fought alongside Dr. Sun to create an anti-warlord rebel government in South China. Sun liked him, trusted him, and gave him increased responsibility. Chiang's talents began to mature.

In 1923 the Kuomintang made an entente with the Soviet Union, and thereby acquired fresh vigor, funds and guns. Sun sent young Chiang along with several others to visit Moscow; there he met Trotsky, but not Lenin, who was ill, nor Stalin. "Patience and activity are the two essential factors for a revolutionary party," Trotsky told him; and Chiang never forgot the counsel. Apparently he was well liked in Moscow. In 1924, when the revolutionary Whampoa Academy (China's West Point) was founded with Soviet help near Canton, the Russian advisers concurred with Sun in selecting Chiang as its first president and as commander-in-chief — Generalissimo — of the Nationalist Army.

Until then he was by no means the leading figure in the Kuomintang. For a time the Chinese Communists completely dominated that organization. But Chiang was "patient" enough to wait; and "active" while he waited. After the death of Sun Yat-sen he made the most of his new position. Building around himself a nucleus of young, ambitious and well-disciplined cadets, he laid the foundations for his future power. Later on, when the split occurred in the Nationalist Army, some of the Whampoa officers went with the Reds, but the majority stayed with Chiang. Whampoa's training was modelled after Trotsky's methods and turned out the first modern generals of China.

From this point Chiang's story became front page news throughout the world. Allied with the Communist Party and helped by Moscow, he swept victoriously across the face of China. By 1928 he had destroyed the corrupt Peking dictatorship of Chang Tso-lin. With skilful diplomacy and the ceremony of blood brotherhood, the Generalissimo won the adherence of the

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"Young Marshal," Chang Hsueh-liang, and Manchuria also came under the Nationalist white-sun flag. For the first time real unity seemed imposed on China. But once more it proved chimerical. For, as a result of the "purge" by which all the Leftists and Communists had been eliminated from the Nationalist Movement — the "Thermidor of the Chinese Revolution" — the army lost many of these revolutionary elements from which it had derived its crusading spirit and morale. The Nanking Government, which had been established after the *coup d'état*, abandoned the mass movement and sought to build its base on working agreements with the foreign imperialists. This change of front naturally met with violent opposition from revolutionary China.

In the years that followed, Chiang's régime probably faced greater difficulties than any other government in the world. Every tragedy that can afflict a country struck China: flood, famine, banditry, wars between the local militarists, a prolonged and bitter class struggle, and foreign invasion. During the last twenty or thirty years China has been emerging from feudalism, a process which Europe took centuries to complete. The past decade of catastrophes alone cost the lives of many millions of people and a property loss of billions of dollars. The fact that Chiang's government is still standing is impressive testament to the mighty imperatives that are driving the Chinese people, despite every kind of reverse, into ever closer unity.

The underlying causes of none of these calamities was removed: yet none of them proved fatal. The Nanking Government gradually became a Central Government, while the Nationalist Army assumed shape as a National Army. And the Generalissimo's own leadership, slowly recovering from the low it reached in 1933 after the loss of Manchuria and Jehol, had attained its zenith by the beginning of the current Sino-Japanese War.

Chiang's persistence in power can readily be analyzed step by step; but the mystery of his personal leadership is not so easily explained. He lacks the long-range vision and the unity of concept necessary to make a military genius. Though the war has also demonstrated his remarkable recuperative powers and some ability to learn (however slowly) from experience, it has repeatedly shown his weakness as a strategist. There are in China half a dozen military tacticians more competent than he. Mao Tse-tung and Pai Chung-hsi are by many observers conceded to be at least his equals intellectually and as political leaders. T. V. Soong is an

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abler executive. In one talent alone history has demonstrated his consummate skill: his mastery of the art of political manœuvre. Yet despite the richness of rival talent, it is Chiang alone who has the prestige of having ruled a united China.

The fact is that in any other country a man with Chiang's qualities would probably have remained a mediocrity. Chiang Kai-shek has succeeded because he was profoundly typical of his own period in his own country: because he somehow provided within himself a crucible for the fusion, or the attempted fusion, of a myriad of mighty if undefined and half-understood elements, old and new, of his people.

Politically speaking, the secret of Chiang's survival lies, as I have explained, in his ability to manœuvre. He is an expert pivot whose position never gets very far away from the center of real events. He is a focus, a needlepoint of intensity around which the antipodal forces of China have found some degree of stabilization, even when they are locked in armed conflict. To employ another metaphor, Chiang is the apex of a loose pyramid of sand, and his peculiar gift is his ability to anticipate the shiftings in the immense weight beneath him in time to maintain his own precarious balance. He never leads the vanguard; but neither does he stand still with the rear guard. Rarely in politics does he take a positive step until the field of manœuvre has entirely closed behind him. He does not will the event, the event wills him; yet he does not deny the event once it has occurred. This agility alone explains the remarkable fact that he is today supported both by China's Communists and by her Fascists, a unique distinction.

Chiang's leadership therefore mirrors much of the strength — and the weakness — of the Chinese people. Among the world's men of power there has seldom been one so rich in contradictions, so ripe with paradox. But his paradox is to a large extent the paradox of China; his contradictions those of his people. That is what makes his career, like China itself, so fascinating to watch.

A strong nationalist, Chiang has had the misfortune to rule China during a period in which more national territory was lost than under any other régime in recent times. Apparently a sincere enemy of peculation, he has punished many an official — even executed a few — for dishonesty; yet the Soongs and Kungs, with whom he is united by marriage and politics, have accumulated during the past decade one of the largest fortunes in China. Repeatedly he has denied that he has ambitions to be dictator, and

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he has actually submitted most of his decisions for approval by the political organs concerned. But these are his organs, and in practice few men alive hold such great direct personal power over so many millions of people.

While professing to be a revolutionary, Chiang led the repeated drives which annihilated thousands of revolutionary youths fighting under a Red banner. The Chinese Soviets he described, not as Communists, but as "bandits," "Red-bandits" and "reactionaries." Yet today he finds himself obliged to carry out many of the policies advocated by those bandits, and borrows heavily from them in planning his tactics and strategy.

In 1934 he drove the Red leaders Chu Teh, P'eng Teh-huai and Mao Tse-tung into the border wastes of Tibet, with an aggregate price of more than half a million dollars on their heads. In February 1938 Chiang publicly announced that those same Communists, and their Eighth Route Army, were the "only part of the military forces accomplishing satisfactory results" in the war against Japan, and urged other generals to "follow their exemplary leadership." [3] It is a mark of real maturity and of artful manœuvre that Chiang is able to suspend old quarrels and use the brains and strength of the former enemies.

Chiang's greatest national concept, the most "positive" thing about him, the pivotal driving force of his political as well as military life, has been his ambition to construct a powerful, modern, centralized army, informed with the discipline he learned from his tutors in Japan, responding to but one supreme command — his own. To a surprising and hitherto unequalled degree in modern China he has succeeded. Yet when final triumph seemed within easy grasp, it was the insubordination of his own deputy commander-in-chief, Chang Hsueh-liang, that forced upon the government a momentous course of action contrary to the Generalissimo's own will.

It was that insubordination, the now famous Sian Incident, which, by revealing the fundamental weakness of Chiang's concept, changed the course of Chinese history. In modernity and strength, in military discipline, Chiang's army was approaching his ideal, was perhaps competent to complete the purely superficial military unification of the country. Its weakness lay in the fact that its political base was not adequately broad and deep. Chiang's personal leadership, while important, was not all-

[3] *Shanghai Evening Post*, February 16, 1938.

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sufficient. The Sian Incident dramatically demonstrated that no army in China today can be stronger than its organic connections with the political, economic and social life of the people. After Sian, the urgent necessity of broadening the basis of political power became manifest and the present struggle inevitable.

Chiang loves his ancients, is a devout reader of the classics, and is a proud chauvinist. A master in the psychology of his own followers, he criticizes them not because they are more backward than the West, but because they disgrace the heritage of their ancestors. He sets before them as ideals, not a Napoleon or a Hannibal but historic Chinese soldier-statesmen like Tseng Kuo-fan, Tso Tsung-t'ang, Chi Chi-kuang and Chuko Liang, the stories of whose exploits he has read since childhood. From such men Chiang takes his own fundamental lessons in strategy. Yet he retained more than a hundred German military experts (non-Nazis); he still seeks whatever other foreign helpers he can get; and sometimes he heeds their advice.

Chiang is, in spite of his filial piety and ancestor worship, a plodding student of the Bible, and his Methodism evidently has become a living factor in his personal conduct. He has publicly stated that in his moment of greatest peril he prayed to a Christian God, and thereby his "strength was redoubled." His religion does not hinder his realism in politics, but there is a little-known sentimental side to his character that would make him risk his position, perhaps his life, to save an old comrade from death or disgrace. Chen Keng, a young Red commander whom I met in the Northwest, once saved Chiang's life in the early days at Canton when he was the Generalissimo's personal aide. Chen later revolted and joined the Reds, and in 1933 was captured by Chiang. Chiang offered him the command of a division in his own army if he would repent; but Chen said he was ready to die for his beliefs, and refused. Chiang kept him a prisoner for weeks, hoping to change his mind, then chivalrously permitted him to "escape" — and rejoin the Reds!

Unlike Sun Yat-sen, Chiang never knew extreme poverty. His comments and actions indicate that he regards character as being synonymous with success. I suspect that this is not unrelated to one of Chiang's basic weaknesses in the past: his underestimation of the potential power and greatness of the illiterate Chinese peasantry. Consistently he fought against organized labor's political and economic rights. He smashed scores of workers' unions

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and had their leaders imprisoned and executed. Several times he even intervened to crush strikes in British factories in the Shanghai concessions, with the help of the Ch'ing and Hung tongs. To him such strikes were violations of discipline; and everywhere he wanted discipline. But perhaps more than discipline he wanted continued British support. He once publicly declared that Chinese labor's average working day of 12 hours should be lengthened, not shortened. In justification he could point to his own strenuous day, which often began about six and did not end till he retired at midnight.

There is nothing effete about Chiang and he uses his boundless energy with efficiency. His outstanding virtues are courage, decision, determination, ambition and sense of responsibility. He is a man of strong feeling for those to whom he is personally attached. His emotionalism, usually carefully repressed, is all the more astonishing when it breaks loose. He wept copious tears of real grief over the coffin of Chu Pei-teh, when that loyal old general died. He was deeply affected for a long time by the death of his mother.

After his conduct at Sian no one can deny Chiang's personal courage. He has a flair for the melodramatic, and during battles often exposed himself to shot and shell, to the despair of his staff. During the present war he frequently visits the front lines at some hazard to himself. When he abandoned Nanking, he and Madame Chiang literally raced with death, until the Japanese pursuit ships trailing them finally fell far behind, outdistanced by the powerful American plane in which the Chiangs flew. More recently, during the Japanese drive on the Lunghai front, the planes which convoyed him were attacked in mid-air, and he had an equally narrow escape.

Chiang's sheer physical vigor, in contrast with that of former Chinese leaders, is astounding. He has at various times held most of the important posts in the army, the party and the government. Even when his official titles were purely military he remained in practice minister without portfolio in every ministry, and as such concerned himself with a variety of detail as wide as any on Stalin's or Mussolini's agenda.

"I am a man of action rather than of words," he has often said. And he has often demonstrated it. When he moves against an adversary much weaker than himself he does so with speed, decision and overwhelming force. He was the first man to discard the "um-

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brella truce" from Chinese war. Thus, in suppressing the Fukien Rebellion in 1933 he won his victory chiefly by swift, energetic action which prevented the surprised 19th Route Army from even fully mobilizing. On the other hand, when his own position is uncertain, he does everything conceivable to avert or delay a sharp crisis; if he acts at all, he does so reluctantly and if possible indirectly, leaving open well-made roads of retreat, of compromise. Because of this we may be absolutely certain that Chiang exhausted every practical possibility of reconciliation with Japan before the current bloodbath began.

Some people have doubted whether any other Chinese military leader would have so implacably carried on the anti-Red crusades. Chiang suffered repeated setbacks, and sometimes seemed to be the only man in China who believed he could destroy the Chinese Soviets. Chen Ch'eng, probably his ablest general, once exclaimed in disgust, "Fighting the Reds is a lifetime sentence! It is hopeless." But Chiang persisted, and finally recovered and pacified the Soviet areas in the south though he did not annihilate the Red Army. This stubbornness is in fact one of Chiang's qualities that make the Chinese Communists respect and support him today. They believe he can be made to fight with equal stubbornness against Japan.

Under Chiang's personal urgence several hundred miles of new railway lines have been laid down, many thousand miles of new roads built, airlines opened and successfully operated, the modern capital of Nanking constructed, hundreds of new public buildings erected, the currency stabilized, China's credit established abroad, education improved, the use of opium gradually reduced, and beginnings made in the country's industrial development. What has been done is but a fraction of what could and should have been done; and it was done with nepotism and corruption worse than in America's boss politics. But at least something has been accomplished — which is more than could be said for past régimes.

Much of the result of Chiang's enterprise has now been ruined by the invading hordes of Japan, who have systematically plundered, looted, burned and raped as thoroughly as Jenghiz Khan. In a few months they have conquered over half of China's resources, reduced her foreign trade by one-half, seized or destroyed three-fourths of her industry, and brought about a human cataclysm worse than that left by the twenty years of the Taiping

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Rebellion. In Shanghai alone they turned to rubble billions of dollars worth of Chinese industrial enterprise. Chiang had a personal interest in some of it. In the past he had often been called "pro-Japanese." But that can never happen again. So intense is the struggle between Japanese imperialism and Chinese nationalism that if one is to live the other must die.

"We should realize," Chiang said on July 18, 1937, in the most significant speech of his career, "that to seek peace after war has once begun means that the terms would be subjugation of our nation and the complete annihilation of our race. Let our people realize the full meaning of [the words] 'the limit of endurance' and the extent of sacrifice thereby involved; for once that stage is reached we have to sacrifice and fight to the bitter end. Should, however, we hesitate and vainly hope for temporary safety, we shall perish forever." Japan answered Chiang with her attack on Lukochiao. Today, with the conflict soon to enter its second year, the Japanese realize that Chiang understood the implications of the issue better than their own warlords.

There is no doubt that the Japanese underestimated Chiang and were misled by his ambiguity and non-resistance in the past. Although the majority of the Japanese military expected him to put up a show of resistance to save North China, they never believed that he would engage in a protracted war, and they feel that he "betrayed" and "insulted" them when he refused to admit defeat after the fall of Nanking. The Japanese now believe Chiang's "duplicity" to have been thoroughly established by the belated publication of the series of violently anti-Japanese lectures which he secretly delivered before his Officers' Training School as long ago as 1934, when he guaranteed to suppress all anti-Japanese agitation throughout the country.[4] The fury of Japan's military men following these revelations was perhaps reflected in Prince Konoye's recent announcement that Chiang will be beheaded when the Emperor's legions take him captive.

There is little about Chiang of the warm human magnetism that is said to have radiated from Sun Yat-sen. Nothing in his public speeches and writings, nor in any of the anecdotes told of him, suggests that he possesses much sense of humor. He has little gift for wit and repartee, which he despises as "small talk." He lacks that mastery of satire and irony in the turning of a phrase which is an easy heritage for most Chinese; and his nearest

[4] "Resisting External Aggression," in *Chinese Opinions on Current Events*, March 2, 1938.

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approach to wit is an occasional heavy effort at sarcasm. But this absence of humor in a country where its abundance constitutes a national menace, is a great asset in leadership. It may be said in Chiang's favor that his flights into the rhetorical stratosphere are few. He is not a spell-binding demagogue like Hitler or Il Duce, nor does he, in his public speeches, suffer from the statisticitis that afflicts Stalin. When he speaks, it is usually to the point. As one Oriental admirer has expressed it, "He does not shoot an arrow where there is no target."

In the early days, Chiang's external coldness and reticence did not easily stir affection, and made contact with him difficult for those not of the inner circle. He quickly inspired fear and respect, but complete trust and loyalty only very slowly. This isolation placed excessive burdens on him for which his personal equipment was insufficient and, together with his inability to stand criticism, resulted in his being surrounded for a long time by mediocrities and yes-men. He forgave much incompetence in those demonstrably loyal to him in crises. Take, for example, General Ho Chien, one of the worst degenerates in China. Ho Chien's sole achievement was that in 1927 he carried out a massacre of students and unionized peasants in support of Chiang's anti-Red "purgation;" from that day hence, despite all his corruption and all the popular petitions against him, the Generalissimo retained him as ruler of one of the richest provinces in the country.

In recent years Chiang's own life has been almost monastic in its simplicity. He does not smoke or drink and he eats frugally. Physically not a strong man, he is slight of stature; his bearing is erect and spry. He wears false teeth, but otherwise is physically intact. Throughout the war, despite the severe shocks he received during the Sian Incident, his health has stood up remarkably well. Like most generals he has never been wounded. The most remarkable feature about him is his sharp flashing eyes. I remember thinking, the first time I looked into them, that they were like blades. He gives you the impression of being wound up tight, like a spring, quite different from most other Chinese, who convey a sense of repose. A nervous idiosyncrasy, a kind of grunt or cluck he emits when he greets you and with which he frequently punctuates his speech, emphasizes this.

One thing which makes Chiang's position unique among world leaders is the influence and power exercised by his wife. Mussolini's wife is a political nonentity; Hitler is a bachelor, Stalin a

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widower. But in China, where the emancipation of women is still a distant dream, Madame Chiang has been at times a decisive personality, perhaps second to none but her husband.

The language barrier — Chiang speaks no foreign language but Japanese — together with his laconic manner, formerly kept a distance between him and the West. Madame Chiang did much to bridge the gulf. Her knowledge of foreign lands was helpful to Chiang and unquestionably contributed to his growth. She acts as his interpreter in the broadest sense, and Chiang relies on her judgment in dealing with the foreign devil. Few occidentals manage to see Chiang except at her recommendation, and usually in her presence. Knowing the importance of public opinion in America and England, she carefully scrutinizes the press treatment Chiang gets abroad, and has had much to do with its favorable "build-up," both by writings of her own and by her influence on foreign diplomats, writers and newspapermen. She tries to see that the foreign correspondents get better treatment; she has helped improve and systematize what was once the worst censorship on earth. Some years ago I had the misfortune to incur her displeasure over a brief sketch I wrote about the Generalissimo. The repercussions of this episode lasted more than three years, and were an amazing revelation of the thoroughness with which she follows everything written about him.

It is not surprising that Madame Chiang has found no time to have children; at the age of 40 she is still girlishly youthful. She is stepmother to Chiang's son Ching-kuo, and foster-mother to his adopted son Wei-kuo. Ching-kuo is a son by Chiang's first wife, whom he married when he was 15; she was a local girl of Chikuo chosen for him by his parents in the traditional Chinese manner. The marriage did not prosper and they soon separated, long before Chiang married Soong Mei-ling. Until the recent reëstablishment of the Communist-Kuomintang United Front, young Ching-kuo lived in Moscow, where he periodically issued attacks against his father, charging him with being a "counter-revolutionary." Today father and son, like China and Russia, are reconciled. Upon his return to China, with his pretty Muscovite wife and a half-Russian grandson for Chiang, Ching-kuo was made Pacification Commissioner of Kiangsi Province.

Few Chinese except Chiang's own staff have access to him without Madame's approval, and few enjoy his complete trust. It is significant that state finances have always been in the hands of a

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member of Chiang's immediate family. The present Finance Minister, and concurrently Premier, is corpulent H. H. Kung, who is married to Madame Chiang's elder sister, Ai-ling. Dr. Kung claims relationship to the descendants of Confucius, as do all Kungs in China from coolies up. But he owes his power and the nickname "God of Wealth" less to his ancestral tablets than to the shrewdness of Madame Kung, a woman of extraordinary cleverness. Madame Kung also exercises considerable influence on the Generalissimo through Madame Chiang, though she has never openly held high political office; her chief interests are finance, commerce and jewelry. It is through Madame Kung that most of the family's wealth has been amassed.

Necessary to complete this picture of the firm Chiang-Soong family grasp on finance is Madame Chiang's brother, Soong Tze-ven, popularly known as "T. V." A Harvard graduate, and primarily a sound business man, T. V. Soong is a good representative of the new Chinese national bourgeoisie: anti-feudal, progressive, nationalistic, capitalistic, democratic, liberal. To him goes the main credit for the foundations of China's stable currency and the beginnings of a modern banking system. Long Minister of Finance, Soong is today Governor of the Bank of China. He also now enjoys, for the first time, a military position: as Chairman of the Aëronautics Commission, a position which he took over from Madame Chiang, he is head of China's Air Force. Soong is perhaps the most competent administrator in China.

Only one member of the Soong family has consistently refused any favors from Chiang's government. That is Madame Sun Soong Ching-ling, widow of the immortal Sun Yat-sen, before whose portrait party etiquette requires Chiang to genuflect once a week. Madame Sun shares the keen intelligence of the family, but none of its wealth. She is its only social revolutionary. A brilliant writer, and a woman of fearless courage and incorruptible integrity, she is the idol of China's youth. Long ago she repudiated Chiang and openly stated that the Communists represented the real content of her revered husband's "three principles" — nationalism, democracy, livelihood. However, since the beginning of the present war she has staunchly supported the United Front.

Nobody knows — except Chiang, Kung and the Soongs — exactly how much treasure China has shipped to England and America, or how much gold and silver reserve there is for China's currency. Because of the family's key financial positions and

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close relationships with foreign banks and governments, its political hegemony might continue even if Chiang lost most of his military power. It is doubtful if anyone but a member of the Chiang-Soong-Kung family could draw on China's bullion reserves abroad. Chinese bonds and currency would take a nosedive if Chiang were overthrown. No opposition group will attempt to oust him by force as long as the Chinese dollar stands up and the government enjoys American and British support and Japan is unable to win either a conclusive victory or an armistice.

What is more likely, what is already visibly happening, is that radical changes will be made peacefully by Chiang, and by the army and the government that he symbolizes as "Tsung Tsai." Inevitably China must adopt all those national revolutionary policies which are necessary if the country is to assert its freedom. These include the widest mobilization of the latent strength of the Chinese masses. That in turn implies more political liberty, democratic training and enfranchisement for the people; the completion of long-deferred anti-feudal agrarian reforms; the integration of the peasantry's mass power in political, economic and military organization; and consequent deep social changes everywhere.

In this changing situation Chiang Kai-shek is more than ever the focal point, the "expert pivot that never gets far away from the center of real events." Objective circumstances under which men act can change the character and significance of their rôle. Chiang's rôle is as fluid as Chinese society: no more reactionary and no more progressive than the sum total of forces. The objective conditions which are the instrument of Chiang's fate today are relatively dynamic and progressive, and it is because he continues to reflect their nature that his leadership remains secure.

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# THE NEW-OLD CRISIS IN MEXICO

*By D. Graham Hutton*

RESIDENTS in Mexico City tumbled from their beds early one morning just before last Christmas to find windows rattling, candelabra swaying and curtains streaming before an imperceptible wind. It was the beginning of a series of grave earthquakes. An American friend, long resident in Mexico, said to me at the time: "This is nothing to the other earthquake which is coming. You outsiders can't be expected to perceive the premonitory tremors under the political and economic crust. But we older residents do. We know that we are sitting on a perch far more dangerous than Popocatepetl; for Popo's extinct, whereas Mexican polity and economy are very shortly going through the roof."

Since then, something very like a major political and economic earthquake has indeed rocked Mexico, and brought that country into the forefront of world affairs. It is not simply that sixteen foreign-owned Mexican oil corporations have suddenly been expropriated and taken over by the Mexican Government; nor that Mexico's second largest industry — the production of oil — stands paralyzed before a grim future; nor that in consequence her largest industry — the mining of precious and non-ferrous metals — faces serious losses; nor that the United States Treasury has countered the abrupt collapse in the Mexican peso by discontinuing its agreement of last December to buy newly-mined Mexican silver; nor, finally, that the Mexican Government has broken diplomatic relations with Great Britain. It is rather that during the last four or five years Mexican politics and economics have been steadily approaching one of those periodic crises which, at periods roughly a generation apart ever since the secession from Spain nearly 120 years ago, have regularly racked the country. The texture of the Republic's history is shot through with the violent hues of revolution, civil war, military dictatorship, xenophobic explosions (generally ending in military defeat and loss of Mexican territory), internecine party feuds, domestic corruption in the grand manner, and the perversion of administration and law by men with overweening personal ambitions. Maybe it is not for nothing that the best and most highly colored *sarapes* in Mexico are woven at Santa Anna, a village which

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bears the name of the most colorful personality in the history of the Mexican Republic — president, dictator, general in the field, rebel, exile, and all of them twice and thrice over.

In my opinion, therefore, it is erroneous to consider current events in Mexico as manifestations merely of xenophobia, or of party politics or of conflicting personal ambitions. In fact, an epoch is coming to an end in Mexico, and another beginning — as, indeed, seems to be the case elsewhere. It is now a generation since Porfírio Diaz, the dictator who ruled longest over the Republic (from 1884 to 1910), was unseated by Anno Domini and the new, younger national revolutionary group.

The Diaz régime developed Mexico. Of this there is no doubt; though in the process both Diaz and his creatures waxed fat at the country's expense, and foreign concerns profited handsomely from the exploitation of Mexican resources, both mineral and human. Undoubtedly also, it was an unhealthy political development that the profitability of these foreign concerns necessarily came to be identified with the continuance of the Diaz régime. For this meant that when the dictator was thrown out by Anno Domini or revolution, the exploiting foreigner would have to go too — which, in view of the great economic benefits conferred on Mexico by foreign capital and skill, was equivalent to throwing the baby out with the bath water.

The National Revolutionary Party, whose founders overthrew Diaz in 1910, looked not to the past but to the future. To them, Diaz's long and corrupt rule was a black page in Mexico's annals. On the new page which they had just turned over were inscribed: national regeneration, ejection of foreign influence and interests, expropriation of the big estates and their redistribution to small village commonwealths (*ejidos*), an end to corruption in politics and civil administration, real electoral suffrage, no reëlections of presidents, a curb on the social and political activity of the Catholic Church, free public education, and — significant in that it was probably the first foreshadowing of National Socialism in the world — a nationalistic left-wing Socialism.

But this leftward program was never more than fractionally executed; for internal warfare lasted from 1910 to 1919. Victoriano Huerta supplanted Madero; Carranza supplanted Huerta; and in 1920 Obregón supplanted Carranza. Between then and the end of 1923, when manœuvres began for the presidential election of 1924, no real progress with reforms had been made. The

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nominee of Obregón was Calles; but in December 1923, a military revolt lead by Adolfo de la Huerta broke out in eleven states. It was then that President Coolidge prohibited the export of arms to the rebels, and actively assisted Obregón. Calles was duly elected in 1924; but again the reforms made no headway despite more settled conditions, since the Government and its adherents virtually abandoned the partition of large estates and began a new program of collaboration with foreign capital, especially with American concerns after the appointment of Dwight Morrow as United States Ambassador to Mexico. Calles became in due course a president-maker and so retained his rule until November 1934, when his erstwhile adjutant, General Lázaro Cárdenas, after securing the support of the workers' trade unions (*sindicatos*) and after stumping the country in order to come in direct contact with the peasant and industrial population, was elected President by the unfailing efficiency of the Calles-controlled National Revolutionary Party machine.

The old struggle between the Diaz-Calles mentality and the revolutionary Cárdenas outlook flared up in June 1935. President Cárdenas had the support of youth, of all the chief *sindicatos* and of the Confederation of Workers and Peasants; whereas Calles was favored by the big industrialists and traders, as well as by foreign concerns. A general strike against the "possible inauguration of Fascism" was threatened; and President Cárdenas dismissed the Cabinet, which had pledged its allegiance to the president-maker. He then promulgated his own program in opposition to that of Calles. The latter, seeing the big guns and big battalions on the side of his own protégee, gracefully retired from public life and shortly after from Mexico. President Cárdenas was supreme.

But before we proceed to discuss the Cárdenas administration we must first trace the development of two important factors in Mexican politics: first, the movement against the exploitation of Mexican economic resources by foreign concerns; and second, the political organization of Mexican labor.

Article 27 of Carranza's 1917 constitution proclaimed the principle that both the land and the economic resources beneath it could be nationalized, leaving the question of current leases to be settled by negotiation. In 1917 and 1918 protests were lodged by several foreign Powers on behalf of oil companies in which their nationals were interested; and in January 1920, the companies'

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threats to suspend production constrained Carranza to reserve his government's rights, though he allowed the companies to go on producing as if the confiscatory decrees did not exist. The United States had not formally recognized any Mexican Government since Huerta himself had severed diplomatic relations with Washington on April 22, 1914.

However, on August 31, 1923, formal recognition was accorded to President Obregón as the outcome of extremely important agreements concluded early in 1923 by an informal Mexican-American Commission. As an earnest of goodwill, Obregón had in April 1923 decreed that all oil concessions made prior to May 1, 1917, were to be valid, if within the following three years the concessionaires revalidated their titles by proving that they were either working or intending to work them. A harder nut to crack was the question of compensation for big landed estates formerly belonging to Americans. (Obregón had agreed to raise the minimum size of estate subject to exemption, so that only the biggest were to be expropriated.) Before the revolution, the position had been that compensation should be paid before expropriation; whereas Obregón could only give bonds dating from expropriation. On August 15, 1923, the Commission agreed that subsoil mineral concessions granted before May 1, 1917, should be recognized. In addition, a Special Claims Commission (to handle American claims created after 1910) and a General Claims Commission (to handle both Mexican and American claims created after 1868) were set up.

But the value of this settlement, which received the approval of Presidents Coolidge and Obregón, was greatly reduced by the refusal of Obregón's successor, Calles, to consider it as more than "an exchange of views." Accordingly, neither Calles, nor his successors Obregón and Rodríguez and Cárdenas, lived up to the letter or spirit of the Commission's agreement. For some time bonds were issued in compensation, and claims were heard before the two Claims Commissions. But after August 30, 1927, no agrarian claims could be filed with the General Commission; in 1934 a Protocol was signed by which agrarian claims were to be handled only by informal discussion between the two Governments. Since 1928 Mexico's foreign debt has been in complete default, and since 1933 she has not paid the service on the few bonds issued, nor has she issued new bonds. In January 1937, a kind of unilateral composition of the agrarian compensation debt

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was decreed, whereby 40-year internal bonds were to be given in exchange for old agrarian bonds; but the service of the internal bonds fell immediately into arrears, and, despite promises of new budget allocations for the compensation bonds and their service, no payments have been made. In short, since 1917 all kinds of agrarian expropriation have occurred in Mexico without any effective compensation; and for expropriations since 1927 there is no machinery to secure compensation, even on paper.

The organization of Mexican labor has been a rapid process. From 1920 to 1925 the workers were mainly organized under the Confederación Regional Obrera Mexicana (CROM) led by Luis Morones. But several big strikes, especially on the railroads, had been undertaken without authority. In the early part of 1925 Calles began to intervene. He federalized the railroad service, declared illegal a strike by the Tampico Federation of Labor Unions (because it arose out of differences between the unions themselves), and firmly prevented a general strike. In a dispute between the banks and the Bank Servants' Union in May 1925 over some extravagant demands by the workers, Morones and the CROM refused to back the workers. In the same month, Morones and his Labor Party still further showed their moderation by breaking with the Agrarian Party on the ground that the latter's program was too extreme, uneconomic, and detrimental to both industry and the industrial workers. By 1928, when Calles retired in favor of Obregón, the CROM under Morones was in a very strong position. But Obregón tilted the balance once again towards the Agrarians, and the CROM began to lose ground. In 1934 and 1935 there were sporadic strikes, which led up to the glassworks lockout at Monterey in February 1936, during which President Cárdenas enunciated his famous Labor Charter, or Fourteen Points. This reasonable pronouncement — in which occurred the assurance that workers' demands would always be considered "within the margin offered by the economic possibilities of the companies" was immediately followed by a labor conference at which the Confederación de Trabajadores de Méjico was organized, embracing railroad workers, miners, electrical workers, and some former CROM unions. It is this new CTM which is at once the strength and the weakness of President Cárdenas: the strength, because it supports him with its 750,000 members (out of a total industrial proletariat of only 2,000,000); the weakness, because its Marxist leader, Vicente Lombardo

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Toledano, can at any time crack a nasty whip over the President's head. It is a movement pledged to Socialism and gives only conditional support to the President.

On the other hand, the old and moderate CROM was strengthened in April 1937 by the return of Morones from the exile into which he and Calles had been sent a year earlier. There were voices in Mexico which hinted that Cárdenas had allowed Morones to return in order to provide a counterweight to the growth of Lombardo Toledano's power with the workers. The CROM still holds the finer craft unions, the *élite* of the laboring class; while beyond the purview of either CTM or CROM lie the agrarians and the unorganized trades. The *sindicato* of the petroleum workers, however, is affiliated to the CTM; and Lombardo Toledano is generally credited with having both inspired its extreme demands — which precipitated the present discontents in Mexico — and conducted its campaign against and its negotiations with the foreign-owned oil companies. To these events we can now turn.

In November 1936 a law was promulgated which empowered the Mexican state to expropriate private property on compensation, in order to secure "a more suitable distribution of wealth." At about the same time a strike in the oilfields was called by the Petroleum Workers' Syndicate, some 20,000 strong, because the foreign-owned companies rejected its demands. President Cárdenas secured postponement of the strike pending negotiations with the companies. The President's intervention was really unfavorable to the workers, since it led to the very delay which the companies wanted in order to examine the workers' extensive demands for improved wages and conditions. These demands may be gauged from the following: if any man were discharged he was to be given 90 days' wages, plus pay for a further 25 days for each year of service; free medical services for workers, pensionnaires, and their dependents, irrespective of the cause of their ailments; compensation for death was to be equivalent to wages for 1460 days as opposed to the law's requirements of 612 days and the companies' practice of 730 to 1095 days; pensions for workers incapacitated after ten years of service to be figured at 60 percent of their wage, rising by 2 percent per annum for each year of service thereafter: 18 obligatory days holiday every year on full pay; and a complicated system of bonuses, payable at the termination of the worker's service, on his death, or on his voluntary

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resignation after ten years of work. These demands could not be met in full by the companies, who submitted counter-proposals. These in turn were rejected by the syndicate. Accordingly, the scheduled strike broke out on May 27, 1937.

Once again the President intervened, and on June 9 the strike was called off on his promise that a special commission, nominated by the Federal Board of Conciliation and Arbitration, would inquire into the companies' capacity to pay increased benefits. On August 4 the commission reported that the companies could pay an extra 26,000,000 pesos per annum, plus a sum sufficient to make the new wages retroactive to May 1937. On December 18 the decision of the Federal Board of Conciliation and Arbitration itself was published. It went even farther in favor of the workers than did the commission, for it said that the companies should pay in annual benefits an extra 26,000,000 pesos, which the companies declared would in fact amount to 40,000,000 pesos, plus an additional sum in the first year to carry the extra wages back to the time of the strike in May. Under the terms of this judgment (*laudo*), the sixteen companies involved would have had forthwith to pay out 20,000,000 pesos for back wages during and after the strike.

The dispute over the method of calculating the increased costs which this judgment imposed upon the companies is important, for it decided their attitude from December 18, 1937, onwards. The companies, their auditors and their actuarial advisers adopted the comprehensible attitude that, if schedules were now to be granted to workers whose claims would only fall due at some future date (*e.g.* pensions, retirement and discharge compensation, bonuses for length of service, etc.), the companies' balance-sheets should forthwith (*i.e.* in the current year) be debited with such actuarially-calculated sums as, year by year, would be available to defray the increased and vesting benefits. This point, one of sound accountancy, the Federal Board completely ignored. Accordingly, its decision that the companies would only have to defray an additional 26,332,756 pesos per annum was countered by the companies' contention that, to save them from gradually eating up their capital, this sum should read 39,698,320 pesos. (Both calculations exclude the extra sum necessary for carrying the back-wage payments.) On December 29, therefore, the sixteen companies presented to the Mexican Supreme Court their demand for a stay of execution (*amparo*)

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against the Board's judgment, and accordingly paid into the court a large sum as bond money. In the first week of March 1938, the Supreme Court rejected the companies' appeal, after the latter, during February and March, had further raised their own offers to the workers from 22,500,000 to 26,000,000 pesos. In theory, the Supreme Court could take no account of these offers; but it is significant that the companies, in seeking to secure agreement that 26,000,000 pesos per annum should be the upper limit of their concessions, were forced to demand fuller administrative control over their operations by their own technicians. If they had not done so, the replacement of the latter by Mexicans, as demanded by the workers, would have prevented the 26,000,000 pesos from being paid and still leave a margin for the shareholders. Even so, the offer was rejected. The Supreme Court consequently fixed a time limit of only a few days. The companies thereupon took a common stand and affirmed their inability to remain solvent under the Labor Board's award. On March 18, after the Court's days of grace had expired, Cárdenas decreed the expropriation of all the sixteen companies on the ground that they had refused to comply with the Board's requirements.

It only remains to be observed that President Cárdenas and the workers' *sindicatos*, led by Lombardo Toledano, never expected the four American and the twelve independent, mainly British and Dutch, companies to stand solidly together. Moreover, the following facts should be noted. The State Petroleum Commission found that the average wage of oilworkers was 7.66 pesos per day. The next best paid workers are those on the railroads and in the mines, whose wages average from 4.25 to 4.80 pesos a day. Moreover, since 1934 the oilworker's average wage has risen 62 percent. At the time of the May strike in 1937, Mexican oilworkers were receiving almost as high a real wage as those in the United States, with the peso at 3.60 to a dollar and with the great difference in living costs. Furthermore, the sickness, accident and holiday payments being made by the oil companies before the strike were higher than those laid down by Mexican law. It is, therefore, scarcely justifiable to state, as eminent Mexican governmental authorities have stated, that the foreign-owned oil companies pay "scanty wages," indulge in "anti-social tendencies," or that they maintain their workers in conditions of "squalor and lack of sanitation." Finally, from November 1936 onwards, it was continuously rumored in Mexico City that the

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Government intended to subordinate all oil concerns to a National Oil Corporation, to which all oil lands then leased to companies would revert on the expiration of the leases. Thus, it is hard to resist the conclusion that during the last year or more the Mexican Government and its administrative organs have combined with the forces of the CTM to manœuvre the foreign-owned oil companies into a dilemma wherein either alternative meant effective expropriation.

At the end of December 1937, the Mexican Treasury was strained to the utmost: the peso had been weakening, and the agreement with the United States Treasury, by which the latter bought Mexico's newly-mined silver, was terminating after two years' duration. During 1937 alone the National Bank of Mexico had lost 33⅓ percent of its metallic reserve and 25 percent of its silver held against the issue of silver certificates; and its published reserve ratio had fallen from 65.5 to 40.6 percent. The Mexican Finance Minister, Señor Eduardo Suárez, flew to Washington and New York on December 9 to arrange a renewal of the silver purchase agreement; and it was renewed on a monthly basis by the United States Treasury despite the current oil dispute.

The output of Mexican silver, more than half of which is from American-owned mines, was more than a third of world production in 1937. Under the silver purchase agreement, the United States Treasury had been taking the overwhelming bulk of Mexico's production at a rate of 5,000,000 ounces a month and at the favorable price of 45 cents per ounce. On March 27 it was announced that the monthly purchase agreement of last December would be discontinued by the United States Treasury on April 1. Immediately, the price of silver fell in London from 20½d. per fine ounce to 19½d.; and during the next few days to 18½d., at which it has since remained. In 1937, the United States exported $49,300,000 more merchandise to Mexico than it imported from that country; but it made a net import from Mexico of $38,500,000 of gold and $30,200,000 of silver. These enormous imports of precious metals from Mexico explain why the United States handles three-quarters of Mexico's entire foreign trade; for the large dollar proceeds of Mexico's total exports to the United States (*i.e.* including bullion and specie) are used by Mexico to defray the cost of her imports from almost all other countries.

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Now consider the Mexican oil position in its relation to the world oil industry. In ten years, from 1927 to 1937, world production of crude petroleum rose from 174,746,000 to 278,700,000 metric tons. But Mexico's production in that period fell from 9,728,000 metric tons (5.1 percent of the total) to 6,827,000 (2.5 percent). About one-half of her production is exported, but that proportion has been falling in the last two years. Of the tankers transporting oil, over four-fifths are in the hands of oil companies; and the other fifth is owned by private shipping concerns in Norway, Japan, Italy, Germany, etc. In 1935, 1936 and 1937 the Mexican Government obtained a steady 14¾ percent of its total federal revenue from taxes on the oil industry, which amounted to 65,000,000 pesos last year. Mexican oil constitutes only 12.5 percent of the United States' very small imports, only 5 percent of the United Kingdom's large imports, only 8 percent of Germany's, and less than one percent of France's or Italy's. The element of transport cost is decisive, and if Mexico is to find markets for state-produced oil, she will have to compete with American, Venezuelan, Iranian, Russian, Rumanian and 'Iraqi oil; moreover, in the Far East she will have to compete with Dutch oil located almost on the spot. Thus, even if Mexico can obtain tankerage, her government, and the National Petroleum Board under which the expropriated fields are now trying to operate, must envisage reductions in the price of Mexican oil in order to sell it. In that case, the state will be competing with the world's oil industry at a time when stocks have mounted to such levels that reductions in costs and output are everywhere being arranged by the leading oil concerns of the world.

Finally, the collapse of the peso immediately after the expropriation decree on March 18, 1938 — it fell from the ratio of 3.60 to the dollar, at which it had been stable since the latter was devalued in 1934, to as low as 5.50, a depreciation to about 22 percent of its 1929 value — cannot alone maintain Mexico's foreign trade position; for Mexico's import bill has in the past been defrayed from the proceeds of silver exports to the United States, and already Mexico's tariffs have been raised in order to reduce the import bill. Moreover, even if Mexico could sell oil to the only countries which might gladly take it — Japan, Italy and Germany — their economic systems, especially their exchange controls, would require that Mexico completely reorganize her foreign trade in such a way as to equalize her imports from and

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her oil exports to each of those countries. As long as about three-quarters of her imports are paid for by the dollar proceeds of her precious and non-ferrous metal exports to the United States, this is an impossibility.

Finally, let us consider the possibility of compensation for the expropriated concerns. President Cárdenas has announced that the workers, whether in the oil industry or not, must be prepared to make sacrifices in order to enable the state to cut production costs and in order to raise the wherewithal for floating an internal loan to pay the compensation. But the state has to face a loss in tax revenue from the companies; the budget is already strained; the allocations to the Army, police, education and social welfare must be maintained to prevent social discontent. There is really only one way to maintain the oilworkers' promised benefits, *viz.*, to proceed along the same path and expropriate all other foreign-owned enterprises in Mexico. Among these the mining companies are the outstanding. They have concluded an agreement with their workers which, since last August, has worked fairly well; but there is no ignoring the writing on the wall. As they produce all the silver and gold, and most of the cadmium, antimony, molybdenum, copper, lead, zinc, tungsten and mercury — and the greater part of each of these minerals is exported — the dilemma before President Cárdenas is acute. Even if he hopes, as he has announced, to pay compensation to the oil companies over ten years, it is hard to see how Mexico can be run as a going concern for even the first of the ten years.

It is possible, of course, that the United States Government may resume the purchase of Mexican silver. It resumed buying foreign silver at the end of April 1938, and this may be so worked as to allow the purchase of Mexican silver via London. But, though this might keep Mexico's foreign-owned silver mines barely in operation, it would not solve her complex economic problems. In fact, the continuance of the American silver-buying policy up to April 1938 was necessary to maintain the world silver price, which in turn was affected by the American Government's entire silver-valorization program adopted after the World Economic Conference of 1933. Now, it is not so certain that the American silver program requires the maintenance of any particular world price, especially since China has adopted the gold standard and since Far Eastern trade has become paralyzed.

Relations between Mexico and Great Britain have now been

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broken, while those with the United States are seriously threatened. The United States has demanded further and better particulars about the compensation offered the oil companies but only about $125,000,000 of the $350,000,000 of capital represented by the foreign-owned oil concerns in Mexico is American. The rest, mainly British and Dutch, is chiefly centered in the famous Mexican Eagle Company (*Aguila*). The British Government, presumably after consultation with the Dutch, presented two very strong notes to the Mexican Government, demanding outright reinstatement of the Eagle Company in its property. The Mexican Government rejected these demands, asserting that, despite the overwhelming majority of British shareholders in the Eagle Company, these British citizens had waived their right to protection by their government by virtue of the special waiver clause contained in the legal documents by which ownership of the shares in this Mexican company can alone be secured. It is a fine point; for, though the shareholders may under Mexican law have debarred themselves from *asking* protection, no such contract can debar another government, not a party to the contracts, from voluntarily giving it.

Thus, despite the solidarity among the sixteen companies, there is the possibility of a separate American settlement with Mexico, which would be true to American practice during the last two decades. On the other hand, Mexico would then need new capital badly; and it is hard to see how the interests of American investors elsewhere in Latin America would be helped by a settlement with Mexico which first expropriated American concerns on dubious compensatory promises, and then pumped fresh liquid capital into Mexico without any American control over its utilization. It is not too much to say that the attitude of Venezuela and Argentina in respect to foreign investments and foreign concerns in their territories will be dictated by the outcome of the current dispute with Mexico.

The rupture in Mexican-British relations over the payment of a mere $175,000 was viewed in London as regrettable, since by such action Washington became directly involved. Mexico had the best of the exchange of notes that immediately preceded the break, for as a result of them Britain was estopped from any act which might bring the Monroe Doctrine into operation. Britain, therefore, had no *locus standi* over the real dispute, which was oil. However, when Mexico tried to play off the United States against

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Britain by paying the American installment punctually, she may have been less wise than she thought; for, while it might be regretted that London did not at the outset wait for Washington's lead over the oil question, it is now clear that the United States has the invidious onus of deciding the future of both internal and external developments in Mexico — which in reality it has always had. The United States will have to assume, willy-nilly, a direct interest in, and responsibility for, whatever political and economic events ensued inside Mexico. It is quite untrue that British and Dutch interests have fomented plots against Cárdenas; but it is true that there is German and Italian support for such movements. Henceforth, both Cárdenas and his opponents must therefore flirt with Japan, Germany and Italy — and this is of very direct concern to Washington.

President Cárdenas has on his left to face Señor Lombardo Toledano and the CTM, and on his right Mexican industrialists and merchants, as well as at least two ambitious generals. Economic sacrifices during the next few months may swing the volatile Mexican laborers against the President, who after all may not always be able to control the National Revolutionary Party single-handed; and without the Party there is today no political apparatus of state in Mexico. Within six weeks of the expropriation decree, economic conditions in Mexico were approaching general paralysis: prices were soaring and the Treasury was empty. The state of world trade in primary products and metals, the level of world prices and its probable trend, are not such as to simplify President Cárdenas' self-imposed task. Quite the contrary!

In this whole situation, some foreign observers have talked airily of President Cárdenas' consistency to his "Latin American Communism." (Sometimes the words Socialism and Fascism are used.) But the true measure of Mexico's current problems is the legitimate aspiration of the Mexican — whether he belong to the third of the population which is *mestizo* or to the two-thirds which are Indian — for self-government, for a responsible share in a nationally organized polity and economy which shall have done with foreign exploitation and which shall actively shape a fuller and better life for its members. Unfortunately, the famous *Plan Sexenal*, the Six Year Plan of Calles for the fulfilment of all the unkept promises of the Glorious Revolution of 1910, cannot by its scope and nature be achieved at a pace as hot as

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that set during the last four years. Instead of attaining a fuller life, it looks as if the Mexican were going to suffer, proudly and perhaps with satisfaction, great economic sacrifices. Surveying his national economy and his standard of living, he may have to say: "A poore thing, but mine owne!" Others in Europe and the Far East have had to do that. But they have done it as Fascist states. Any tendency in that direction has been stoutly denied by Cárdenas. It remains to be seen whether the process he has set in motion will surprisingly fail to force him, or a successor, into a system of national economic control which, because it cannot admit of modification at the behest of the laboring masses, turns out to be a right-wing, instead of a left-wing, totalitarianism.

Today such a development is more than a mere possibility. A victory by Fascist-minded forces is, in my opinion, more probable — whether Cárdenas retains power or not — than the imposition of a Mexican Socialist or Communist régime founded upon the direct initiative of the laboring masses. If it should take place, the internal convulsions in Mexico and the reorientation of her foreign relations, would constitute the gravest of problems for her great "good neighbor" to the north.

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# THE BRITISH WAR DEBT: RETROSPECT AND PROSPECT

*By George P. Auld*

THE problem of the war debts owing to the United States Government, mainly by its Allies in the World War, has long been the subject of discussion and controversy. Throughout the period since 1932 payments have been in practically complete default. The debts are now carried on the books of the Treasury at an aggregate principal amount of about $11,200,000,000, while the unpaid interest thereon amounted on November 15, 1937, to $1,200,000,000.

Sixteen nations[1] received cash advances from the United States principally to enable them to purchase munitions in this country and to meet other commitments incurred here in connection with the war. The remainder of the debt covers surplus American war materials disposed of by our government after the war, and relief supplies furnished to states created by the peace treaties. The aggregate of the loans made in these three categories was nearly $9,900,000,000. At various dates from 1923 to 1930 all the loans but one small one were funded into long-term obligations, bearing interest at various rates. When this was done, interest unpaid to date was added to the debts, bringing the aggregate principal sums up to $11,600,000,000. The total payments made on these obligations up to the end of 1937 have amounted to $2,500,000,000 (net), most of these payments being applicable to accruing interest. A net amount of only $400,000,000 was applied in reduction of principal. As a result, the present balance of principal alone, without counting unpaid interest, is greater by $1,300,000,000 than the original debt.

The problem of the collection of this money, long dormant, has been revived by the recent offer of Hungary to pay the principal of its debt, without interest, over a term of years. Though this obligation is one of the relatively minor items on our books, the details of the proposal are significant. The Hungarian debt was incurred for relief supplies furnished at a cost of $1,685,000. In 1924 the debt was funded; and the unpaid interest which was added then and later brought the total principal amount up to $1,982,000. Of the total payments made on account, amounting

[1] Russia and Armenia are excluded from consideration in this discussion.

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to $478,000, all but $74,000 were applied, under the terms of the funding agreement, to meet accruing interest, with the result that the debt now stands at a principal amount of $1,908,000, plus interest arrears of $374,000. The Hungarian Government proposes that the debt should now be computed at its original principal amount, less all payments made to date, that is, at a net amount of $1,207,000, and that this sum be discharged without interest by a series of equal annual payments running for thirty years. It is to be noted that if the principles of the Hungarian offer were to be applied to the aggregate figures for all the debts, the United States would collect a total sum of $7,400,000,000 (*i.e.* $9,900,000,000 less $2,500,000,000), upon which no interest charges would be made during the period of settlement.

The plan put forward by Hungary for clearing up its obligation deserves sympathetic consideration. But it will encounter obstacles in the American Congress, presumably due largely to a disinclination to make concessions to any government, even one admittedly unable to carry a substantial burden, which might be regarded as a precedent for dealing with the chief debtors. A practical settlement with Hungary, however, would hardly establish such a precedent, and need raise neither the fears of our legislators nor the hopes — if such are entertained — of our former Allies. The debt question, so far as this country is concerned, centers on the sums owed it by Great Britain and France. Evidently the concessions which the American people might make to those two nations can be determined only when one or both of them come forward with concrete proposals.

The British and the French obligations constitute three-quarters of the total sums involved. The British obligation, as incurred for loans made, amounted to $4,075,000,000 (net); and it was increased by unpaid interest added at the date of funding in 1923 to $4,600,000,000. Payments made have aggregated a net amount of $1,823,000,000. The debt now stands on the books at $4,368,000,000, exclusive of $818,000,000 unpaid interest computed to November 15, 1937. The French obligation, as incurred, came to $3,341,000,000 (net); unpaid interest added at date of funding in 1926 brought it up to $4,025,000,000; payments have been made of $421,000,000 (net); and the debt is now carried at $3,864,000,000, exclusive of $238,000,000 unpaid interest. If we include the Italian and Belgian obligations along with the British and French, we account for 96 per cent of the total debts. The

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figures for Italy are: original debt, $1,648,000,000; debt as funded (with unpaid interest added), $2,042,000,000; total payments, $101,000,000; present balance of principal, $2,005,000,000; interest unpaid, $14,000,000. The amounts for Belgium are: original debt, $377,000,000; debt as funded (with unpaid interest added), $418,000,000; total payments, $52,000,000; present balance of principal, $401,000,000; interest unpaid, $36,000,000. These sums, it need hardly be emphasized, are important both to the debtors and to the creditor.[2]

Before the present apathy of Americans toward the debt problem is dispelled there will have to be some definite prospect of being able to realize substantially on one or both of the two major obligations. Only then will our people feel like grappling with the difficult elements involved in reaching a settlement with Great Britain or France. Our historic connection with the events that led us to grant the loans will again have to be ground through the mills of public controversy; the present extraordinary economic and political conditions in our two major wartime Allies will have to be given realistic consideration; and questions of great moment involved in our relations with those nations will have to receive searching scrutiny. Consideration of these complex factors will determine not only the American attitude when an offer materializes, but the attitudes which the debtors adopt in the meantime while formulating their proposals.

A movement toward a debt settlement, particularly if it should come from Great Britain, ought not to cause surprise. If an American may venture an opinion, there appear to be several reasons why the British are not happy about their present position in the matter. Under the terms of the Johnson Act of 1934, Great

[2] The aggregate figures for the twelve other debtors (omitting Russia and Armenia) are: original debts, $412,000,000; debts as funded (with unpaid interest added), $497,000,000; total payments, $64,000,000; present balance of principal, $594,000,000; interest unpaid, $52,000,000. These twelve debtors and the original amounts of their loans are as follows: Poland, $159,700,000; Czechoslovakia, $91,900,000; Jugoslavia, $15,000,000; Rumania, $36,100,000; Austria, $24,100,000; Greece, $15,000,000; Estonia, $14,000,000; Finland, $8,300,000; Latvia, $5,100,000; Lithuania, $5,000,000; Hungary, $1,700,000; Nicaragua (unfunded), $300,000.

Russia borrowed $192,600,000, against which the only credits made have been $8,800,000, representing the proceeds of liquidation of financial affairs of the Russian Government in the United States. Armenia borrowed $12,000,000 and nothing has been paid. Neither of these debts was funded. Cuba borrowed $10,000,000, and Liberia $26,000; both debtors settled their obligations with interest.

Finland, as indicated above, borrowed $8,300,000; the debt as funded, with unpaid interest added, amounted to $9,000,000; total payments have amounted to $4,900,000; balance of principal at November 15, 1937 was $8,270,000; interest accrued to November 15, 1937 (none past due) was $164,000.

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Britain is classed among the defaulting nations, which comprise all the debtors except Finland. To be stigmatized as defaulters is a new experience for the British. Their code of financial standards, while practical in the matter of accommodation to distressed debtors, is an old-fashioned one, and in the commercial field they have applied it as rigorously to their own practices as they have in passing judgment on the performances of their customers. True, they argue that advances of funds for war purposes in a grand alliance have not the same character as commercial debts. The roots of this idea, it is said, reach back to the days of other great European conflicts, when England's advances to her Continental allies were written off as subsidies, or, in the modern phrase, as "contributions to the common cause." From the influence of this analogy, perhaps, and from the fact that Britain has in effect charged off her World War advances to France and her other allies, there has arisen in England a widespread feeling that the stigma of the Johnson Act is unjust. Nevertheless it probably has not escaped some British minds that there are defects in an analogy drawn between British subsidies to the armies of Prince Eugene in a struggle to curb the pretensions of Louis XIV, and American advances to the British Government for the purpose, among other things, of keeping the Kaiser's armies out of the channel ports. Nor (still dealing with the intangibles) are the British insensible to the fact that the signature of one of their most respected elder statesmen, acting on behalf of the British Government, is attached to the funding agreement of 1923.

Moreover, there are potential embarrassments of a practical kind for the British in the present situation. Under the prohibition in the Johnson Act against the floating of loans in the United States by defaulting governments, British plans for financing rearmament would be deprived of flexibility in the event that the requirements were to exceed the supply of available funds in the London market or in case commitments for large purchases were to be made in the United States. Beyond this, British statesmen and important segments of the British public, it is generally believed, favor maintaining the best possible relations with the United States consistent with the limitations imposed by a heavily charged budget and a difficult political situation.

As to the state of opinion in the United States, an American may speak more circumstantially and with greater freedom. Among those in this country who favor a settlement are many

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who believe that Great Britain and the United States, possessing much in common in the character and spirit of their institutions, ought not in these days to be divided by a controversy over debt. Even these would agree, however, that it is for Great Britain to make the first move. One principal reason for this attitude is a deep aversion to being cast in the rôle of importunate debt-collectors. Americans unanimously rejected the jibes which at one period were directed at this country as "Uncle Shylock." They could not square this attitude with the historical record, and in particular with any circumstances suggesting that the funding agreements were consummated under duress, or that in their character they differed in any way from other treaties freely entered into by sovereign states.

The ill-feeling engendered at that time seems in the main to have disappeared, but there is just enough of a residuum of it left to make many people feel that, despite the magnitude of the sums involved, any positive effort to realize on the debts is not worth the probable attendant odium. Supporting this feeling has been the conviction that the debtors have no real intention of making any further payments of consequence, and that nothing which the United States might do would change the situation. Another section of public sentiment is expressed in the slang phrase, "Uncle Sam was an easy mark." In these few words the "man in the street" disposes of the whole war-debt question in both its quantitative and its qualitative aspects. The wide currency of this phrase reflects more than a point of view on an old controversy long ago become stale and unprofitable; it is significant also for its bearing on the prospective American attitude towards the ominous contingencies raised by recent events in Europe.

This is not the place to attempt a forecast of the probable trend of American policy in the event of serious trouble in Europe. The question is touched upon only in order to consider whether a settlement of the debt controversy may have more importance than is suggested by the long delay in disposing of it. A respectable body of persons in this country holds that we cannot avoid being involved in another prolonged general war in Europe. In their eyes it seems expedient to clear away old controversies, which though not directly related to present-day problems might prejudice the proper consideration of these latter on their merits.

But the wisdom of doing this does not seem to find general recognition in American public opinion. Our people generally,

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being convinced that they can do nothing on their own motion to effect a substantial realization on the war-debt claims, seem to feel that they had best put the question aside. It ceases to be their problem or to occupy their minds. If there is any indirect advantage to be gained from a settlement, they are only dimly aware of the fact — least of all of any advantage which might accrue to the United States. And of course there are some isolationists who are not averse to having a handy excuse, in the unliquidated debts of the old war, for not allowing American interests to become engaged or sympathies enlisted in some new crisis.

For several reasons, then, it seems unlikely that if a settlement comes it will result from any initial steps taken from Washington under the pressure of American public opinion. But if the public's present attitude of passive opposition to the Government's taking the first step represents in effect a concession to the viewpoint of the debtors, that does not mean that it is receptive to the idea that in equity the debts are not really owing.

The reason for this is a conviction that while the occasion of and formal basis for our entry into the World War was the overt acts of the German Government in destroying American lives and property, the real purpose of our intervention was to go to the rescue of Britain and France in their struggle for survival. The great national movement that made possible our participation in the war was in the nature of a crusade. Our people generally do not admit that this nation faced any imminent danger, or even any long-range one. In their view, the United States was secure in its continental aloofness and self-containment. This opinion may be mistaken, but it is deeply held. In consequence, the theory that there exists an equitable claim for cancellation of debts fails to reach home. Americans do not grasp the argument that while our armies were gathering, our own first line of defense lay not in our Navy but in the trenches, and that the dollars which we sent, in the shape of munitions for our Allies, constituted our just share in holding the battle line in France. They argue that we entered the war without commitment as to the time, nature and extent of our participation, that we made an immense and decisive effort as promptly as we could, and that if we were now to consent to a retroactive increase in the amount or character of our contribution, such an adjustment would not be a matter of justice or equity, but an act of grace or charity.

But despite what has been said, there is no reason to believe

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that the state of public opinion in this country is such as would prevent the sympathetic consideration of a proposal by Great Britain for a considerable scaling down of the war-debt with a view to clearing the slate. A controversy unquestionably would be precipitated; but it appears possible that a proposal could be put forward in such terms that it would appeal to the American people as reasonable, and that as a result of the popular reaction to that proposal Congress would give its approval. What might be the specifications of a "reasonable" proposal, *i.e.* one that might be acceptable to opinion in the United States?

In the first place, the settlement offered would have to be a final one, that is, it should propose winding the debt up within a relatively short period of time, and not contemplate an extended schedule of deferred payments. A proposal of the latter kind would not be well received, for it would be regarded as likely at some later time to be the subject of renewed proposals for revision. Nor, for reasons already touched upon, would an offer of a purely nominal amount in liquidation of the debt receive sympathetic consideration. It would merely engender a painful controversy and would be unlikely to lead to an agreement.

No American can say how big a payment the British would consider to be impossibly large, nor can he suggest with any precision how small a payment would be regarded by public opinion here as too insignificant for consideration. But it seems evident that, like most other compromises, any agreed figure is bound to be of a size that will cause the extremists on both sides to protest against it as unfair and unreasonable.

Some of the considerations which might influence American opinion in the matter of reaching an agreement will now be discussed briefly. Much has been heard of the serious obstacles that would be encountered in an attempt to "transfer" the payments out of foreign currencies into dollars. There would be serious difficulties and dangers, it has been said, unless dollars could be made available to the debtor nations through a large expansion of American purchases of their products, with no corresponding increase in the export of American goods to them. Debt payments in gold have been called dangerous to debtor and creditor alike. But American opinion doubts whether such obstacles to the payment of war debts are related in important degree to the question of procurement of dollars by the debtor countries.

Great Britain, for example, is a large creditor on international

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commercial capital account, and as such already possesses ample means of making substantial payments abroad. The foreign holdings of British investors, including both liquid balances and long-term investments, have been estimated to amount to between $15,000,000,000 and $20,000,000,000. Great Britain depends in part upon its long-term foreign investments for recurring income on international current account, with which to pay for the excess of its merchandise imports over exports. The liquid balances held abroad, however, are undoubtedly substantial, and it does not seem impossible that a scheme of moderate payments on the British war debt (assuming that no part of them could be met out of current foreign earnings) could be largely taken care of by a mobilization of floating foreign balances, without levying to any important extent on the long-term holdings.

To the extent that a great creditor country like England chooses to discharge obligations abroad by using its foreign balances, there clearly is no necessity of converting the payments from its own currency into foreign currencies — in other words, the transfer problem does not arise. On the question whether real obstacles arise when conversion of currencies does become necessary, recent economic history has provided an interesting practical demonstration. For the past four years, various countries have been sending gold to the United States in amounts aggregating over a billion dollars a year, representing roughly the amounts of the world's annual production of newly mined gold. In exchange for the gold delivered, individual European investors and others acquired American dollar bank balances and securities.

These large movements of gold to our shores occurred in a period admittedly marked by abnormal happenings throughout the world, and some part of those abnormalities may perhaps have been the effect rather than the cause of the shipments. Except in special instances, however, they were made without seriously threatening the monetary systems of the countries concerned; and large though they were, they produced nothing approaching a disruption of the international economic system. On the contrary, the trend of world economic conditions during the period in question was generally upward. Let us suppose, then, that the bookkeeping tags on those shipments — or rather on a part of them — had been changed so that instead of reading, say, "For credit to the investment account of Samuel Johnson or Jacques Coeur of Europe with the Babylonian Trust Com-

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pany of Wall Street," they had been inscribed "For credit to the war debt account with the United States Treasury." Had that happened, large payments could clearly have been made on the debts with no serious injury to either debtor or creditor.

We reach the conclusion, then, that however great the problem of war debt payments may be, it does not arise primarily from the debtor countries' lack of gold or foreign exchange; it is rather a question of whether the debtor governments can raise public funds with which to purchase from their nationals part of their individual holdings of gold or dollar balances. The way in which the foreign exchanges operate is a mystery to most people, probably at times even to the experts. It might seem at first blush that the "transfer problem," stated in scientific terminology, as an obstacle to payment supposedly arising out of the operation of economic law, would furnish an impressive argument in favor of a substantial write-down of the debts. But it seems unlikely that this would be the case. The idea counts for little or nothing in the mind of the American public.

To many Americans, one of the most persuasive arguments for reduction lies in the budgetary burdens of Great Britain, actual and prospective. Mention of this inescapably brings up the question of comparative burdens. The matter cannot be explored here; but it might very well be found that Britain's fiscal load still exceeds ours, and it is reasonable to suppose that sympathetic consideration would be given to the relevant facts by the American people, the more so as they recall the substantial size of the payments already made on the British debt, aggregating, as already stated, a net amount of $1,823,000,000.

Another argument for reduction or cancellation is a highly practical one, namely that while Britain is a debtor to us she is also a creditor on defaulted obligations. But this argument frequently has been put forward in a form that keeps it from being very persuasive to Americans. Apart from the fact that the United States Government has from the first upheld the legal separateness of the two groups of transactions, the linking of the British obligation back through other inter-Ally obligations to the German reparation debt is indelibly associated in the minds of Americans of the war generation with the distasteful episode of the Balfour note of August 1, 1922. That note, addressed to the continental Allied Powers, suggested an all-around cancellation of debts. Thereby the British Government offered, in effect, to

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cancel a principal amount of British claims on the continental Allies of $3,700,000,000 net (*i.e.*, gross claims of $7,800,000,000 less $4,100,000,000 owed to the United States), plus the British reparations claim on Germany; and it indirectly invited the United States to cancel $9,900,000,000 principal amount of claims, which, as no claim for reparations was made by the United States, were all held against the Allies. The note, in addition to what seemed a thinly disguised reproach to the quality of American generosity, contained a statement which (though asserted by the London *Economist* in its issue of March 10, 1923, and by other authority to carry "an implication which is entirely incorrect")[3] appears never to have been formally cleared up. The statement was that the British debt to the United States was incurred under an arrangement whereby "the United States insisted, in substance if not in form, that, though our Allies were to spend the money, it was only on our security that they were prepared to lend it." Thus there are reasons why any detailed exposition of the manner in which the British obligation is a link in a chain of defaulted obligations finds no very sympathetic response here; and it seems unnecessary to the general argument. That the failure of Great Britain to collect her advances places her in a less favorable position to settle her own obligations should be clear to everyone, without extensive elaboration; and the practical effects of that circumstance are bound to be apparent in a presentation of the budgetary situation.

The argument, often heard in support of debt reduction, that when the loans were made the price level generally was inflated and that it subsequently fell, is not convincing. True, this circumstance was hard on debtors; but it could bear no more heavily on the taxpayers of a debtor country than on the taxpayers of the lending country who take the place of the debtor when they are compelled to carry the defaulted loans. Nor is there substance to the claim that when they employed their loans for the purchase of American materials the borrowers were discriminated against in the matter of prices. This allegation is largely disproved by the fact that a large part of the munitions orders were placed under price-supervision arrangements impartially administered by agencies of the United States Government.

[3] See also the London *Economist* of January 10, 1925; and "Making War Loans to the Allies," by Albert Rathbone, former Assistant Secretary of the United States Treasury, in FOREIGN AFFAIRS, April 1925.

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Another circumstance connected with the origin of the debts has a more favorable bearing on the case for their reduction, namely that the proceeds of the loans went largely to American labor and industry as wages and profits, and the excess profits realized by manufacturers during the period in question were taxed for the benefit of the United States Treasury. In this sequence of transactions, the essence of what happened was that a proportionate part of the loans made by the Treasury was returned to the Treasury by the borrowers, by their effective payments of excess profits taxes through the manufacturers. It is evident that only the net amount of the Allied loans (after deducting the taxes arising out of their employment) had to be provided from the proceeds of the Liberty loans subscribed by our citizens or from funds derived from general taxation.

When the various considerations that have been mentioned are taken into account, it appears that, from the American standpoint, there exists a basis for a settlement. Recent test polls conducted by the Institute of Public Opinion support this view, indicating that public sentiment, which a year ago seemed to favor collection of the debts in full by a majority of 54 percent, now favors reduction or cancellation by a majority of 53 percent. In the opinion of the writer, the most effective approach to a settlement would not be through the submission by the debtor government of a general argument for a revision, which would lead to a long public debate in advance even of any negotiation, but by its presentation of a definite offer upon which the American people could take a definite decision.

There is room for believing that an offer by Great Britain or France to pay the principal of its debt, without interest, in a relatively short series of annuities, would prove acceptable to our people. They might further be persuaded that in computing the amount of the debt for this purpose, the unpaid interest which was added to principal at the date of funding should be excluded. It seems less probable that public opinion generally would react favorably to a proposal that interest payments already made be credited against principal, although some concession of this kind would doubtless be supported by financial opinion if the adjustment proposed could reasonably be regarded as serving to keep the scale of annual payments within manageable proportions and to put an end once for all to the whole protracted controversy.

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# THE GERMAN MINORITY IN CZECHOSLOVAKIA

*By R. W. Seton-Watson*

NOW that the *Anschluss* is an accomplished fact, the two largest German minorities outside the Reich are those in Switzerland and in Czechoslovakia. The former has been the backbone of a free Swiss Confederation ever since it was separated from the Holy Roman Empire in 1499. The latter for eight centuries formed an integral part of the Kingdom of Bohemia, whose sole link with the old Empire was the Hapsburg dynasty. But it is important to realize that there are no less than twelve states in Europe today in which there are German minorities, and that with the solitary exception of the Ukrainians (who are entirely under alien rule) there is no race in Europe of which so large a proportion is governed by foreigners as the German. This fact, taken with the renewed strength and racial self-consciousness of Nazi Germany, should serve as a reminder that so long as the minorities question remains unsolved at many points it will continue producing acute irritation and providing excuses for dangerous propaganda.

II

Bohemia, it is too often forgotten, is one of the most ancient national states in Europe. Yet from the earliest times it has always contained a strong German element, especially in the towns. We need not go into the largely academic question whether the autochthonous tribes whom the invading Czechs conquered in the sixth century were mainly German. It is sufficient that for some generations in the twelfth and thirteenth centuries the Czech national dynasty of the Přemyslides pursued a persistent policy of settling German townsmen and miners in Bohemia, and that when their greatest successor, Charles IV, became Emperor, he linked the Bohemian Crown with one of the seven electorates and founded the University of Prague on a supra-national basis as the first great university of Central Europe.

Under Charles's incompetent son, Prague became a center of the conflict forever associated with the name of John Huss; and this conflict assumed a double form, religious and national, the Germans siding with the more orthodox currents which triumphed

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at the Council of Constance, seceding to found the University of Leipzig and eventually taking a leading part in the Crusades which aimed at reducing Bohemia to the Church's obedience. The long Hussite Wars greatly reduced the German element, but the Reformation of the sixteenth century brought a *détente* between the two races. Luther suddenly found that "we have all been Hussites unawares." Lutheranism became almost as powerful as Hussitism, and there was a fresh influx of Germans. In the period of the Counter Reformation, Hussite and Lutheran, Czech and German stood together against the Hapsburgs and shared the same fate when Bohemian independence was overthrown in 1620. The Czech nobility and intellectual class was nearly rooted out, and the German urban population was decimated. For the next two centuries, during the period of Czech national eclipse, the centralist, autocratic tendencies of the Hapsburgs were largely identified with Germanization; and by the time that the Czech renaissance began early in the nineteenth century, not merely the upper, but almost the whole educated middle class in Bohemia had acquired a German veneer. None the less, in the absolutist period preceding 1848 there was little friction between the two races, and more than one German-Bohemian writer chose his theme from the heroic age of the Hussites.

In 1848, however, the two fell rapidly apart. The Czechs declined the invitation to the German Federal Parliament in Frankfurt, and convoked a Pan Slav Congress in Prague itself, though their leader Palacký coined the catchword, so often misused since, "If there were no Austria, it would be necessary to create one." From 1848 to 1918 the political and linguistic struggle between German and Czech was the central feature of that "question of nationalities" for which the Hapsburg Monarchy got its unenviable reputation. It was waged in every town and village, in every sphere of administrative and social life, in school and law court. The establishment of the Dual System in 1867 as between Austria and Hungary took place against the wishes of the Czechs, who till 1879 refused to attend the Austrian Parliament; but from that date onwards the Germans in Austria, though of course the dominant race and throwing their weight in favor of the Emperor's foreign and military policy, found themselves with every decade more on the defensive. While the Germans were splitting up into Nationalists, Pan-Germans, Liberals, Clericals and Socialists, all sections of Czech opinion presented a united front when-

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ever a national interest was at stake, and coöperated with the other Slav races of the Monarchy. One feature, however, distinguished the Czechs from most of the other subject races: they were all inside the Austro-Hungarian boundaries, and had no kindred national state towards which they could gravitate. Till the vast hazard of the war made independence possible, their chief aim was the restoration of the so-called "State Rights of the Bohemian Crown," by which Bohemia-Moravia-Silesia would again become a kingdom, enjoying equal status with Hungary and the hereditary Austrian provinces.

This thumbnail sketch provides a necessary background to the problem of today, for foreign opinion does not sufficiently realize that the rivalry of German and Czech inside Bohemia is not a problem created by the Peace Treaties, but has in varying forms lasted for over seven centuries.

III

The Great War instantly brought the tension between Czech and German to its height. To the Czechs, who had always disliked Austria's entanglement in the Triple Alliance, conflict with their Russian and Serbian kinsmen had almost the character of a civil war. They surrendered in thousands to the "enemy" and soon proved that their motive was the reverse of cowardice by enlisting in Czechoslovak Legions on the Allied side. Then, as the Russian Bolshevik Revolution made it impossible for them to be transferred to the Western Front, they eventually reached Europe across Siberia, the Pacific and the Atlantic — one of the most romantic Odysseys in all history. These legions formed the trump card in the long propagandist efforts of the Czech National Committee, organized by the triumvirate, Masaryk-Beneš-Štefanik, from their headquarters in Paris. From the first it was obvious that the full program of independence was only attainable if the war was a prolonged one and ended in complete victory for the Allies. It was the great merit of the "realist" Masaryk that, Russophil though he was, he rejected the fatuous idea of waiting passively for the Russian steamroller to crush Austria-Hungary and for reactionary Tsarism to liberate the democratic Czechs.

Masaryk and his colleagues played a decisive part in convincing the three western Allies and the United States that Austria-Hungary could not be weaned away from Germany and that her

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component races genuinely desired the break-up of the Empire. By successive stages in 1918 the necessary diplomatic and military recognition was conceded, and when the exchange of notes between the Governments of Vienna and Washington caused the walls of the Austrian Jericho to fall,[1] the transference of power in Prague from the crumbling Hapsburg executive to the new Czechoslovak Republic was accomplished in a few hours and without bloodshed. It can never be sufficiently stressed that not merely long before the Peace Conference met in Paris, but actually before an armistice could be concluded on the Italian or Balkan fronts, Czechoslovakia — like other "Successor States" of Austria or Russia — had already come into existence, without the intervention of Allied troops, as the result of a spontaneous national movement that swept all before it. The function of the Allies was confined to ratifying accomplished facts, while making their recognition of the new state conditional upon its assumption of certain general obligations, notably towards minorities.

IV

The settlement of 1918, following as it did upon the repressive measures adopted towards the Czechs during the war, and the perfectly natural indignation felt by the Germans at the "treason" of the legionaries, marked the high point of the ancient Czech-German quarrel. What was to one race the recovery of lost liberties and independence after three centuries, was to the other the loss of its privileged position in favor of an "under-dog" whose culture and language it had long despised. It is useless to shirk the fact that the new state was created against the will of its German population, and that only to the Czechs and Slovaks could the epithet *staatsbildend* be rightly applied. This is also the place at which to admit that Czechoslovakia rests upon two somewhat conflicting principles — upon the "historic State Rights" in the case of the Lands of the Bohemian Crown, and upon nationality and self-determination in the case of the Slovaks, who ever since the ninth century had formed an integral part of the Hungarian Kingdom. This latter problem, however, lies beyond the scope of the present article.[2]

The task of setting the new state's limits was of especial concern

[1] I question whether to this day American opinion has grasped the full and decisive significance of President Wilson's attitude towards Central Europe in October 1918.

[2] *Cf.* the author's "The New Slovakia" (Prague: Borový, 1924) and "Slovakia Then and Now," by several Slovak authors (London: Allen and Unwin, 1931).

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to the Germans. It soon became apparent that there was no practical alternative to the old historic frontier, which after the Pyrenees and the Tatra is probably the best natural frontier in all Europe, and which has for that very reason remained virtually unaltered for many centuries. In the northwest, northeast, east and southwest it corresponds with the watersheds of the Erzgebirge, Riesengebirge, Adlergebirge and Böhmerwald, and to cut off narrow strips of territory from Bohemia and unite them with the districts north of those ranges would be to detach their valleys from their natural outlets. True, exception might have been made for the districts of Cheb (Eger), Rumburk (Rumburg), Frýdlant (Friedland) and Broumov (Braunau), all predominantly German. But the detachment of these from Czechoslovakia would have left unsolved the two main difficulties: that the major part of the lands inside the present boundaries is inseparably bound by geographical and economic ties with central Bohemia, and that no human ingenuity has hitherto availed to draw a possible ethnographic line between German and Czech. This latter assertion could be abundantly demonstrated by the history of Bohemia between 1879 and 1918, when the idea of *Zweiteilung* (or "partition in two") was broached time after time, only to be abandoned as unworkable. But it also emerges very clearly from the events immediately following the collapse of Austria, when the Germans of Bohemia for some time declined to recognize the accomplished fact and desired to be united with the new Austrian Republic (not, it should be noted, with the Reich), and when, with a view to attaining this end, provisional German administrations were set up at Liberec (Reichenberg), Opava (Troppau), Krumlov (Krumau), and Znojmo (Znaim). Reference to a map will show that these places, and Karlovy Vary (Karlsbad), Cheb and Tachov (Tachau), could hardly be united into a single unit, especially if it was to act in opposition to the central authorities in Prague or Brno (Brünn).

Indeed, if we place Bohemia under a statistical microscope, the German minority is seen to consist of not less than eight distinct fragments, separated from each other by Czech or mixed districts: (a) Northwest Bohemia — Egerland, with Karlovy Vary and Marianské Lázně (Marienbad); (b) Southeast Bohemia — a narrow strip of Böhmerwald from Nýrsko (Neuern) to Kopisty (Kopitz); (c) North Bohemia, from Ústí (Aussig) and Děčín (Tetschen) to Liberec, with two small salients into Germany at

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Hanšpach (Hainspach) and Frýdlant; (d) Northeast Bohemia — Trutnov (Trautenau), Broumov; (e) North Moravia and Silesia — Opava, Krnov (Jägerndorf) to Staré Město (Mährisch-Altstadt); (f) the enclave of Svitavy (Zwittau) and Moravská Třebová (Mährisch-Trübau); (g) the enclave of Jihlava (Iglawa); (h) South Moravia — Mikulov (Nikolsburg), Znojmo (Znaim). Thus the sole possible alternative to what was actually done in 1918 would have been to allow each of these fragments to gravitate to the nearest outside German district, which would have

meant the incorporation of (a) and part of (b) with Bavaria; of (h) and part of (b) with Austria; of (c) with Saxony; and of (d) and (e) with Silesia. In this way, between one-half and two-thirds of the German population could have united with their co-nationals of the Reich (for the first time in history), but in total disregard of their economic interests, which are closely bound up with the Czech districts.

The one thing which could not have been done would have been to create a unified German-Bohemian or "Sudeten" province, governed from a single center. And this remains today as impossi-

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ble as ever. In other words, a case can be made out for the complete absorption in the Reich of all the Bohemian Lands, both Czech and German, lock, stock and barrel. Needless to point out, this case can be accepted only by those who are indifferent to questions of race and of liberty, and who see no objection to the establishment of a German totalitarian hegemony over the whole Danubian and Balkan area, such as would assuredly follow the downfall of Czechoslovakia. A case can even be made out for frontier rectification at specific points where only a negligible number of Czechs would have to go with a German majority. However, this would not appeal to those whose aim it is to include all Germans under a single roof, since the effect would necessarily be to weaken the German as against the Czech element in what remained of the Republic. The plain fact is that Czech and German are doomed to live together, with not less than 400,000 Czechs in the predominantly German districts and not less than 750,000 Germans in the predominantly Czech districts. We thus come by a process of elimination to the least bad of several admittedly imperfect solutions — namely, to leave the old frontiers virtually untouched, as justified by many centuries of practice and as necessary for the new state's economic viability. It was this solution to which the Peace Conference eventually consented, subject to certain undertakings as to the status of minorities.

Of this decision the Germans of Bohemia openly and violently disapproved, and though they soon had to abandon organized resistance they held aggressively aloof during 1919, the critical period when the Peace Treaties were being signed and when the National Assembly in Prague was framing the Constitution and the basic laws of the new state. At the first elections, in May 1920, they voted; but the first use which they made of their representation was to issue a statement declaring that Czechoslovakia had been created against their will and that they therefore did not regard the Constitution as binding upon them. They also refused to take part in the election of Masaryk as President, though they were fully aware that in any racial issue his whole influence would be used in a moderating sense. Bearing in mind that this was a culminating period of national effervescence and social and religious unrest, we are bound, in the perspective of eighteen years, to admit that the new order then established reflects high credit upon its authors, and, subject only to minor blemishes, corre-

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sponds to the democratic and liberal principles which they professed. A comparison of the Minorities Treaty of September 1919 with the Language Law of February 1920 shows that the latter, quite voluntarily, went even farther than the former, condemning in strong terms "every form of forcible denationalization." It is true that "Czechoslovak" was declared to be the official language of the state, thereby seeming to degrade German to a lower level — a distinctly illogical step for the Czechs, who had always agitated in the old Austria against the idea of German as "Staatssprache." But all the essential guarantees without which a minority cannot hope to survive were freely granted and on the whole have been fulfilled. Anyone disposed to accept Nazi propagandist denunciations of Czechoslovakia for her "oppression" of minorities might well compare the position of the Germans in Czechoslovakia with that of any other minority in Europe, and especially of the German minorities in Italy, Poland, Hungary and Jugoslavia.

These essentials may be summed up under four heads:

(1). The Germans enjoy exact Proportional Representation in Parliament and in municipal life.

(2). In the field of education they possess their own University, two technical High Schools, an Academy of Music, 90 secondary schools (55 gymnasia, 22 "Realschulen," 13 girls' schools), 14 training colleges, 629 commercial and agricultural schools, 430 higher and 3,363 lower primary schools, and 501 kindergartens. In 1935 there were 343,500 German children attending primary schools, and of these all save 10,117, or 3 percent, went to *German* schools: in these there was a class to every 36 children, whereas in the Czech schools there was only one to every 39. In the German secondary schools there were 800 classes, with 25,700 pupils, or 27.6 percent of the total (though they form only 22.5 percent of the population). The concrete complaints which they formulate relate to inadequate buildings and subsidies, especially for the German University, the erection of so-called "Minority Schools" for Czech minorities in the German districts (before the war the lack of such schools was a permanent grievance of the Czechs), the closing of various German primary and technical schools between 1921 and 1935, and the lack of an autonomous German section in the Ministry of Education. But the very nature of these complaints shows that the Germans are not in the remotest danger of denationalization.

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(3). They possess a complete network of cultural institutions and societies, a highly developed musical and theatrical life and a large daily and periodical press. It is true that the "conflict of ideologies," resulting in the growth of totalitarian views among the Sudeten Germans, has made the censor more active in recent years.

(4). They are assured the right to use their language in intercourse with all state and municipal authorities, and especially the law courts, in all districts where their minority exceeds 20 percent of the population. The original decision to separate the Jews from the Germans and enter them in a special census rubric was much resented. There is no little irony in this fact today in view of the general German attitude towards non-Aryans, which is shared by the dominant German party in Bohemia.

Broadly speaking, the fulfilment and extension of minority rights should be perfectly capable of attainment, given the necessary good will on both sides. This the present rulers in Prague have shown themselves to possess.

## V

The German attitude in 1920 only served to confirm the Czechoslovak Government in its extreme centralizing mood — a mood which, however, it was the first among the Successor States to recognize as mistaken. The utter barrenness of Sudeten policy in these first years of the Republic's existence, combined with the crisis through which neighboring Germany was passing, produced a sobering effect on the German minority. In 1922 there was a split in its ranks, and the two rival tendencies of "activism" and "negativism" slowly emerged, the former led by the Agrarians and Christian Socialists, the latter by the prewar nationalists of Lodgmann and the National Socialists. The Social Democrats held aloof from both. The elections of 1925 strengthened the Agrarians; and in 1926 (thanks mainly to the efforts of President Masaryk, and of Dr. Hodža, then Minister of Agriculture) they and the Christian Socialists sent their representatives, Professors Spina and Mayr-Harting, into the Cabinet. This was the beginning of twelve years of "activism." One logical result was a turn towards decentralization, expressed in the creation of four Provinces (Bohemia, Moravia-Silesia, Slovakia and Ruthenia), each with a President, a Diet (in all save name) and District Councils, in which, it is true, one-third of the members were nominated from above. It may be freely admitted that the "activist"

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Ministers were in too weak a position towards their Czech colleagues to secure more than piecemeal concessions, and that the Czech chauvinists blocked even these wherever possible and tried to drive a wedge of Czech settlers northwards to the frontier, hoping to divide up the Germans still further, extend Czech peasant ownership and reduce the German industrial lead. None the less, though the two races continued as ever to inhabit watertight compartments, there was a slow breaking down of the old social barriers. Already on the eve of the war the battlecry "Rather die as Germans than decay as Czechs" had been yielding to the saner "Germans, learn Czech!" Now under the altered postwar circumstances common sense imposed a change of tactics. In 1929, as a result of a strengthening of the Left parties among the Czechs, a corresponding change took place among the Germans, and the German Socialists under Dr. Czech entered the Cabinet in place of the German Clericals.

Since 1931, however, two vital factors have transformed the whole situation — the world economic crisis and the rise of Hitlerism in Germany. The depression fell with peculiar force upon German Bohemia, which had been over-industrialized even before the war, and which had strained its resources and reserves in trying to adjust itself to its new status in a country of only 13 million inhabitants. Worse still, the new economic policy adopted by Germany to meet the crisis led to a catastrophic decline in the trade between the two countries,[3] and this hit the German districts even more than the Czech. Simultaneously the currency control adopted by the Reich made it difficult for Germans to visit Czechoslovakia, and this nearly ruined Karlsbad, Marienbad and other famous watering places in the German districts. The porcelain and glass trade also suffered from underselling and dumping by Reich firms; while the musical instrument trade, which mainly supplied Germany, sank to a minimum. Rampant unemployment bred political discontent and despair, and the Prague Government was faced by a most difficult situation in which its efforts to relieve distress in any district brought reproaches of discrimination from the others. However, it was able to point out, as examples of its good will toward the Germans,

[3]

| | *Czech Imports from Germany* | *Czech Exports to Germany* |
|---|---|---|
| 1929..... | 5,003,000,000 Kč. | 3,973,000,000 Kč. |
| 1933..... | 1,209,000,000 | 1,045,000,000 |
| 1936..... | 1,388,000,000 | 1,160,000 000 |

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that it had taken over heavy commitments arising from the former Austrian War Loans, that it had saved the German Central Savings Bank from collapse, and that the amount paid by the state under the Ghent system to the German trade unions was out of all proportion to that paid to the Czech unions. None the less there remained a background of misery and friction and against it Hitler's solution of the unemployment problem and his rapid revival of German power in Europe stood out in high relief.

Already in 1933 advantage was taken of the too easygoing "activists" by the two extremist German parties — the National Socialists (under Krebs and Jung, heirs of the prewar Austrian leaders Schönerer and Wolf, who had preached *Anschluss*, "Away from Rome, anti-Semitism and Hohenzollern against Hapsburg") and the old German Nationalists. The leaders aimed to create a "National Front," resting on totalitarianism and *Volksgemeinschaft* (community of race), and in this they were encouraged by the successes of Hitler, with whom they had coöperated in Munich as long ago as 1920. But in June 1933 Nazism was suppressed in Austria, owing to its illegal and terrorist methods, and in October the National Socialist Party of Czechoslovakia forestalled dissolution by voluntarily disbanding. It encouraged its members to enter the newly constituted "Home Front" (*Sudetendeutsche Heimatsfront*), led by Konrad Henlein, head of the German gymnastic union and an active promoter of the so-called "League of Comrades" (*Kameradschaftsbund*). At the general elections of May 1935, Henlein's party, reconstituted as the *Sudetendeutsche Partei* — often spoken of as the *SDP* — sprang suddenly into fame by winning 44 out of the 75 German seats in the lower chamber. It received 1,249,580 votes, or 62 percent of the total German vote,[4] and thus became the second largest single party in a Parliament of 300 seats.

The new party gathered together many heterogeneous elements, united by a common discontent and influenced by the new principle of *Volksgemeinschaft* being preached in Nazi Germany. But it affirmed complete loyalty to the state, recognized the Czech nation as an equal in civilization, claimed "to employ all the methods of democracy" in the struggle for equality between the peoples, and denounced Marxism and the "class war" as incompatible with social justice.

The speeches and pronouncements of Herr Henlein reveal a

[4] About 100,000 Germans voted Communist, obtaining four mandates.

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distinct evolution. During the first year or so he was careful to insist that despite a natural identity of feeling with the great German nation ("of which we are a section" — *Bestandteil*), his party did not regard Fascism or National Socialism as "transferable to our special circumstances." While treating "the failure of the liberal epoch" as "today unquestionable," he declined to renounce the liberal tenet of "unreserved respect" for individual rights. At the same time he denounced all idea of Hapsburg restoration anywhere as a permanent danger both to the Republic and to the peace of Europe, and no less bluntly disclaimed all interest in "any kind of frontier revision," while putting forward the ideal that "frontiers should cease to be dividing walls." In domestic policy he was as yet less precise, but launched the slogan "democracy is self-government," expressed himself against all centralist and bureaucratic tendencies, and demanded that the principle of proportional representation as between the races should be applied to all offices in the state, high and low, alike in administration, justice and army.

Unfortunately, in these days of moderation several things conspired to render the Czechs reserved and suspicious. First, the disbanded Nazis were received into the new *SDP*, while the former Nazi leaders Krebs and Jung, who had gone to Germany, received seats in the Reichstag and became active in the anti-Czech campaigns of the Ministry of Propaganda. Second, great emphasis was laid on the idea of "leadership." Henlein did not present himself for election and remained outside Parliament, though conducting the party on increasingly totalitarian lines. Third, the Czech parties were unable to come to terms with Henlein without at the same time throwing over their "activist" allies of ten years' standing. This was all the more difficult because it would inevitably have caused a rupture in the coalition of parties on which the whole structure of parliamentary government in Czechoslovakia has rested. The price of winning the *SDP* would have been the secession of the Czech parties of the Left, and this would have meant the substitution of a non-national majority for a national one. Needless to say, the "activists" strained every nerve to checkmate the wing of the Czech Agrarians favorable to a deal with Henlein (which would have moved the finger on the political balance definitely towards the Right) and sought to convince their Czech allies in the government that the Henlein party was only a passing phenomenon, that it was

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rent by internal dissensions and was bound to disintegrate as the economic situation improved.

This calculation, however, was overthrown by events in the foreign field. As the Nazis strengthened their hold upon the Reich, withdrew Germany from the Geneva system and pushed rearmament to fantastic lengths, the gulf inevitably widened between Germany and a country whose whole policy had from the first rested upon the League Covenant, the network of pacts and conventions connected therewith, the Little Entente, and in general the idea of collective security and national disarmament. Like other small states in Europe, Czechoslovakia now had no alternative save to increase her armaments. She joined France in concluding a pact of non-aggression with Russia, and for a time hoped that Germany might consent to accede to this. But when Berlin not merely refused, but refused with violence, and set up the rival anti-Comintern alliance, Prague declined to be intimidated and upheld the Russian alliance as an essentially defensive factor entirely compatible with League principles. Meanwhile the *SDP* imitated Berlin's growing intransigeance. In home politics it became increasingly totalitarian, denying to all other parties, Clerical and Agrarian no less than Socialist and Communist, any right to speak for the Sudeten Germans, while in foreign policy it was equally opposed to the League, to the Little Entente, and to the pacts with France and Russia.

VI

During 1936 even the most unreasonable among the Czechs realized that it was not enough to refuse coöperation with Henlein, that the Germans had definite grievances which it was essential to redress. The three principal government leaders — Dr. Beneš (who succeeded Masaryk as President in December 1935), his successor at the Foreign Office, Dr. Krofta (who had been Minister in Berlin), and the Slovak Agrarian Premier, Dr. Hodža (who had helped Švehla to bring in the German "activists" in 1926) — all favored a moderate policy. In August 1936 President Beneš made a series of speeches in the German districts in which he put forward the formula of "reasonable decentralization, with economic and administrative regionalism." And on February 18, 1937, the Cabinet, in answer to a memorial from the "activist" groups, announced an agreement by which the shortcomings of the Minority Law were to be made good as speedily

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as possible. The main grievance, as ever, centered around the fact that at the critical period when the whole administrative framework of the new state was being created the Germans adopted a policy of hostile abstention, and the great majority of official posts were therefore filled by Czechs or Slovaks. To apportion posts on a strictly numerical basis between the races is something that can only be done gradually, since vacancies only come gradually; it is equally impossible to dismiss wholesale; and the necessary linguistic qualifications could not be acquired overnight. This is one of the grounds on which Dr. Hodža appealed for a year's grace in which to achieve visible results.

These proposals were rejected as quite inadequate by Herr Henlein, who now demanded *völkisch* or racial autonomy, and attempted to interpret this ill-defined conception of Nazi ideology in six bills laid before Parliament by his party. Their essential aim was to set up for every race in the Republic (Czech and Slovak as well as minorities) a far-reaching system of racial autonomy, based on "Corporations" with a "racial personality" of their own. The Council of each Corporation would consist of the deputies of the particular nationality, and the executive would be in the hands of a Speaker and Deputy Speaker, elected by a bare majority, with the result that the lesser parties would be in effect unrepresented, while the Speaker would acquire virtually totalitarian powers on the approved lines of Nazi "leadership." Great stress was laid upon protection against denationalization. One original and by no means unsympathetic feature was the demand for a free, *but irrevocable*, declaration of nationality by every citizen at the age of eighteen, the contention being that this would stereotype the racial position and forestall tendencies towards the national "renegadism" which was so harmful in generations past.

All sections of Czech opinion united in rejecting Henlein's project, but by the end of 1937 it could no longer be denied that progress in fulfilling the February Agreement had been far too slow. And meanwhile the tension in the foreign situation grew steadily, culminating in the German Army purge and Hitler's seizure of Austria. The effect in Czechoslovakia was tremendous. Herr Henlein openly welcomed the achievement of "Greater Germany" and summoned all his co-nationals in the Republic to join a single people's front, adding significantly that the *SDP* would admit new members till May 31, but not after. The result was a regular landslide away from "activism." Dr.

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Spina resigned office, and his party, the German Agrarians, went over bodily, giving as a ground the failure to apply the February Agreement. A week later the German Clericals followed suit, though claiming that in the last year "valuable successes were achieved, which brought to thousands of our co-nationals employment, bread and help once more." Even the German Socialists left the Cabinet, though continuing to support it.

The Czechs thus had to reckon with the collapse of their German allies and a rally of Sudeten opinion behind Henlein, now openly playing Berlin's game. His demand at the moment these lines are written is for complete autonomy, on lines which would inevitably create a state within a state, and recognition of the Germans as a legal personality. He no longer conceals that his policy is "inspired by the principles and ideas of National Socialism," and lays down as a condition for an understanding between the Czechs and the Germans inside and outside the Republic "a complete revision of foreign policy"—*i.e.*, the abandonment of the French and Russian alliances and acceptance of a position of isolation in which Czechoslovakia (and the other Danubian states) would pass helplessly into the Berlin orbit.

In thus throwing off his mask Herr Henlein has done much to clear the issue. In domestic and foreign policy alike there is a straight pull between incompatible principles. Totalitarianism in the German districts will mingle with a democratic party system among the Czechs and Slovaks as satisfactorily as fire with water; while to renounce existing foreign alliances would be nothing short of national suicide. If the Reich were to endorse and press such demands a clash could not be permanently avoided. But both President and Premier have made it clear that they do not regard the difference of political régimes and ideologies as necessarily an obstacle to a political understanding between the two countries, and have proclaimed their readiness for further discussions as to the admitted deficiencies in minority rights, the resultant fresh concessions to be embodied in a minority charter. They say they will go to the utmost limits "within the framework of the existing Constitution." President Beneš, in an interview with the correspondent of the London *Daily Telegraph* (March 6, 1938), while insisting on the purely internal character of the minority question, declared good relations with Germany to be of vital importance, frankly recognized "the moral right of Europe to take an interest in our minorities," and expressed Czechoslo-

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vakia's readiness to make her contribution to a general settlement. After Mr. Chamberlain's speech in the House of Commons (which, without accepting any "automatic" pledge of help to Czechoslovakia, gave clear expression to his doubt whether Britain could keep out of the entanglements which aggression might produce), Dr. Hodža gratefully accepted this attitude as adequate to the situation, and welcomed the interest shown by the British Government in the problem. This interest was energetically demonstrated in the crisis of May 21; and it ranks with the calm but firm resistance shown by the Czechoslovak Government on that occasion as a principal reason why Herr Hitler did not support Herr Henlein in pushing matters to a show-down.

The situation may be summed up as follows. Czechoslovakia has already carried minority rights farther than any other country, though not far enough to satisfy certain just grievances of the German minority. Her Government, with the sanction of public opinion, stands committed to concessions so far-reaching that if they were applied throughout Europe they would take the real sting out of the whole vexed minorities problem. Frontier revision in favor of Germany would not solve the problem, and would raise other problems by destroying the viability of the Czechoslovak state. Autonomy for all Germans in a single unit is a physical impossibility. The demand for a Swiss solution is sound if it means absolute equality for all races, but rests on a misconception if it means the cantonal system (since the Swiss Cantons are units in a *Con*federation of States). The ideas of national "cadasters" and cultural as opposed to territorial autonomy offer hopeful lines of exploration. It must be repeated that with good will on the part of *both* Prague and Berlin an honorable compromise can be reached. Perhaps it is a good sign that London has been playing a certain mediatory part. But if the German minority is merely to be the Trojan Horse by which the defenses of Czechoslovakia are to be pierced, and if she is to be forced to abandon her defensive alliances and accept an isolation which would make her and her colleagues of the Little Entente mere vassals of Greater Germany, then the question assumes an entirely different complexion. Czechoslovakia occupies a strategic key-position, alike from the geographical and from the ideological point of view. Her survival is a vital interest to the western democracies, and not a matter of complete indifference to America.

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# SECTIONAL FACTORS IN CANADIAN FOREIGN POLICY

*By J. A. Stevenson*

THIS year for the first time Canada has a population exceeding 11 millions. As the largest, richest and most important of the British Dominions she may fairly claim to be one of the most comfortable corners of a troubled universe. However, she does not thereby enjoy immunity from considerable worry and uncertainty about her future and confusion of mind about her best course of international policy. She remains a partner in the British Commonwealth, but her government qualifies her allegiance to it by explicit declarations that she is not obligated to enter any wars in which Britain and other members of the Commonwealth engage except of her own volition, and she has repeatedly taken her own international line. She retains her membership in the League of Nations, but Premier Mackenzie King has more than once declared that she is now under no obligations to assist in enforcing economic or military sanctions. She therefore gives lip service to the idea of collective security but shies at the commitments involved in its maintenance. She takes pride in her North Americanism and seeks to cultivate as close economic and other relations as possible with the United States, but she is not yet ready to throw in her lot with the Pan American Union. She thus occupies internationally the unique position of being engaged in an effort to preserve simultaneously ties with the Commonwealth, the League and the American group of nations. The difficulties of such a task are more than enough to account for the hesitancies and apparent incongruities in Canadian policy, and the opportunist line taken by her governments on important international issues.

The totalitarian states today parade their semblance of national unity. But real unity comes in democratic countries only in some desperate emergency, and in ordinary times their governments have to frame their policies to take account of conflicting currents of popular opinion that ebb and flow under a variety of emotional influences. In Canada the cleavages of public sentiment on foreign policy, tariffs, taxation and other problems which would be considered normal in any democracy acquire

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additional importance because of sectional cleavages which cut deep into the national fabric. Some of these arise from the facts of physical geography, some from differences in race, language and religion, others from a divergence of economic interest. No student of Canadian politics can gainsay their reality and no Canadian Government can cease to be conscious of the political difficulties which they create for it.

The three Maritime Provinces are old-established communities. There the first British settlement in Canada took place, and the region has much in common with the New England group of states. Small farmers, woodsmen and fishermen constitute a large proportion of the inhabitants, and industrial activity is confined to a few areas. The population increases very slowly, except for the French element, which grows at a faster pace than any other. The financial and business life of the Province of Quebec is controlled largely by an English-speaking minority; but the French-Canadians make up five-sixths of the population. These are passionately jealous of their racial, religious and linguistic privileges and are prone at times to adopt an attitude of truculent racial particularism which is not palatable to the rest of Canada. Ontario is the great industrial province of the Dominion. Its population is predominantly British, and if it has common interest with Quebec in the maintenance of a stiff system of protectionism and the development of the mining industry in the northern hinterland, it does not share Quebec's views about religion, education, foreign policy and other matters. The three so-called Prairie Provinces are separated from Eastern Canada by a sparsely settled wilderness and, although they now possess some industries, they are primarily agricultural communities, unable to see much merit in fiscal policies which inure chiefly to the benefit of the protected industries of Ontario and Quebec. Beyond the Rocky Mountains lies British Columbia, which has a more diversified economy than the Prairie Provinces and a viewpoint colored by close contact with the problems of the Pacific. Obviously in a country thus cleft into sections, political legerdemain of a high order is required to form national political parties, and secure majorities for them and keep them in power. A certain — shall we say? — elasticity in the programs of the Canadian parties and in the policies of Canadian ministries should therefore not be a source of wonder abroad.

Of the five different sections, the Maritime Provinces have

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probably the closest ties with the United States. For generations, thousands of their young people have every year migrated across the boundary. In consequence, most families in "the Maritimes" have near relatives in the New England States, regard Boston almost as their metropolis, and visit it more frequently than Montreal or Ottawa. In days gone by their products found very profitable markets in the United States. They are convinced that they cannot hope to regain real prosperity until they get freer access to these lost markets than is now available, and hence are the strongest supporters in Canada of close Canadian-American trade relations. This is not to say that the long-standing social and commercial ties between the Maritime Provinces and the mother country have not left a strong strain of Imperialist sentiment. In particular, the associations between Nova Scotia and Scotland have been steadily maintained. Indeed in certain quarters an antiquated colonial sentiment still survives and in New Brunswick it is today being fostered by a group of politicians belonging to the ruling Liberal Party who think that Ottawa interprets in a much too arrogant way the powers conferred upon the Federal Government by the Pact of Confederation. Under their influence, the provincial ministry sponsored at the time of the accession of King George VI a curious expression of this anti-Confederation spirit when they insisted that the new monarch should be specially proclaimed in the provincial capital as "The King of New Brunswick, a province autonomously dependent upon the United Kingdom of Great Britain and Ireland." The authors of such a proclamation could fairly be described as zealous Imperialists.

Of all the Canadian regions, Quebec today presents the most baffling problem in the field of domestic policy. As the strange developments there were accurately and admirably described in the March issue of FOREIGN AFFAIRS they need not be enlarged upon again. But the important influence exercised by the French-Canadian element upon the foreign policy of Canada deserves emphasis. Today French Canada is the great stronghold of isolationist sentiment. From the days of the British conquest until the present century began, the French-Canadians were content, so long as their special privileges were untouched, to acquiesce in the arrangement whereby Canada accepted whatever foreign policy was prescribed by the British Government. It affected them only on rare occasions and then indirectly. There

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were, however, serious murmurings of French-Canadian dissent about Canadian participation in the South African War, which was regarded in Quebec as an unjustified attempt to impose the will of British Imperialists upon a small non-British race, and Mr. Henri Bourassa, the most brilliant French-Canadian politician of his generation, sacrificed a very promising political career in the Liberal Party by breaking with it on this issue. Mr. Bourassa, still alive but now withdrawn from active political life, for forty years devoted his rare dual competence as writer and speaker to a persistent crusade against British Imperialism and all its works, and has exercised a marked influence upon French-Canadian thought about imperial and international problems. In 1910 he founded the Nationalist Party, whose coöperation with the Conservatives in the election of 1911 helped the latter to defeat the Taft-Fielding agreement and win office at Ottawa; and during the last war he was in no small degree responsible for the lukewarmness which the French-Canadians manifested and which in its later stages developed into a violent opposition to military conscription. The racial controversy thus produced upset the old equilibrium of Canadian politics by driving the French-Canadian race almost solidly into the Liberal camp, and this *bouleversement* had the dual consequence of giving the Liberal Party a long spell of power and overloading it with conservative elements which have sterilized it as an agency of reform.

The experiences of the last war implanted in the minds of French-Canadians a firm determination that never again would they risk having to bow to the will of the English-speaking majority on such an issue, and the puissant influence of the French-Canadian element in the councils of the Liberal Party has been largely responsible for the attitude upon international issues which it has taken since the war. Not only have they refused consistently to acknowledge any obligations to support policies evolved in Downing Street such as the Locarno Agreement, but they also have made repeated efforts at Geneva to whittle down Canadian commitments in regard to the League Covenant. At Geneva and elsewhere Premier Mackenzie King has advanced the thesis that since the original idea that the League would include all the important countries of the world has come to naught, its members have the right to revise their interpretation of obligations undertaken on assumptions which have proved false; and he has intimated that Canada does not

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feel herself bound to participate in the enforcement of sanctions. This attitude pleases French Canada and is not without support in other sections of the Dominion, particularly in the rural communities where people cannot understand why their sons' blood should be shed on the banks of the Rhine or the shores of the Mediterranean because a lot of foolish Europeans are unable to compose their age-long rancors.

It is not, however, that French Canada is completely disinterested in the affairs of the outside world. The able and aggressive leadership of Cardinal Villeneuve and his friendship with Premier Duplessis have made the Roman Catholic Church politically powerful in Quebec to an unusual degree at the present time. Under the influence of the Roman Catholic hierarchy, French-Canadian opinion since the start of the civil war in Spain has ranged itself solidly on the side of General Franco on the theory that he is a stalwart defender of the Church against the assaults of atheistical Communists, and there is widespread jubilation about his recent successes which seem to presage his ultimate triumph over the hosts of Midian. But it is a fact that public opinion in the English-speaking provinces of Canada has long been prone to believe that any developments or policies which arouse enthusiasm in Quebec are to be regarded with grave suspicion. This disposition has been aggravated by the Fascist tendencies manifest in the last few years in Quebec. English-speaking Canada therefore has in the main been strongly on the side of the Valencia Government and against Franco. The originators of the present British policy in regard to Spain seem to be blissfully unconscious of the repercussions it is having in Canada. Influential papers like the *Winnipeg Free Press* have openly accused the British Government of betraying Spanish democracy and of deliberately conniving at its subjugation under the heel of reactionary forces, and the extreme Protestant element represented by the Orange order, which has long been a vociferous exponent of Imperialist loyalty, takes a sombre view of the Roman Catholic Church's prospective recovery of a stronghold which it seemed to have lost. It might be argued by the British Government that the success of a policy which pleases the Roman Catholic Church would tend to modify French-Canadian dislike of schemes of Imperial coöperation. But any such view is illusory, for while French-Canadians may feel temporary gratitude for benevolent friendliness towards the aspirations of

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their Church, they will not be moved to the extent of abandoning their isolationist attitude in the event of another European war. And meanwhile other Canadians who have not heretofore been isolationists will have become chilled in their enthusiasm for close coöperation with a Britain whose policies are directed by a government which, they feel, is indifferent to the triumph of reactionary forces in Europe. It is Canadian liberals who are the zealous advocates of the coöperation of their country with the Commonwealth and the League; and the effect of recent developments in Europe has been to cool their ardor almost to the vanishing point and to swell the ranks of the isolationists.

But an increase of the isolationist spirit should not be understood as meaning a growing momentum towards complete independence, for certain grave domestic stresses and strains forbid such a course. It has for some time past been crystal-clear that a constitution framed in 1866 for the purpose of welding together a group of pioneer and predominantly agricultural communities had become quite inadequate for the needs of a full-grown industrialized nation and was, through its weaknesses and archaisms, producing troublesome stresses and conflicts. As a result there is widespread agreement among all parties about the urgent desirability of a drastic reform of the constitution. The fundamental trouble arises from the fact that the avowed purpose of the framers of Confederation — to build a strong federal state, capable of achieving progressively a real national unity — has been frustrated, partly by a series of decisions of the Privy Council, the highest court of the Commonwealth, which have enlarged the authority of the provincial governments, and partly by the weaknesses of the Federal Government in failing to stand up against provincial aggrandisements in the administrative field. The result is that the present ministries of certain provinces, among them Ontario and Quebec, have been arrogating to themselves the powers of sovereign states, while the Federal Government has found itself without the constitutional power to carry out a program of social security. A Royal Commission, which the Mackenzie King government appointed for the purpose of investigating and reporting upon federal-provincial relations, as a preliminary move towards constitutional reform has revealed through its public hearings that certain provinces are not only adamant against any enlargement of the Federal authority but would fain see it reduced

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to a mere shell. Apparently there lies ahead a prolonged and bitter controversy on the constitutional issue. Until it has been settled whether or not Canada is to be something more than a congeries of provincial communities with conflicting economic and other interests, she cannot afford to move from her present anchorage in the international seas.

Naturally the *Union Nationale* Ministry of Quebec is opposed to any surrender of provincial jurisdiction and on this issue it has found an ally in the Liberal Ministry of Ontario. They have agreed in their representations to the Royal Commission to make common cause against the demands of the poorer and weaker Western provinces (in part backed by the Maritime Provinces) for a readjustment of present burdens and responsibilities, and if their alliance threatens to frustrate much-needed reforms, it also helps to put into the background religious and racial cleavages which have troubled the relations of the two provinces in the past. There was a time, also, when the great majority of the citizens of both Ontario and Quebec had the common link of an ingrained bias against the United States. But in each province this feeling has been greatly modified in recent years. Recently there have come from the lips of Quebec politicians surprising pronouncements about the advisability of working out a defensive alliance between Canada and the United States; while a rising Liberal politician in Ontario is a persistent advocate of Canada's entry into the Pan American Union. But in both provinces the manufacturing interests, fearful of American competition, are bitterly opposed to any enlargement of the present trade arrangement with the United States. They also share a common dislike of the preferences given by Canada to British goods and are to be ranked as devotees of economic nationalism.

What really is the value of the preferential system as a binding link in the structure of the British Commonwealth? Undoubtedly the right of preferential free entry to the British market now available to a long list of Canadian products has long been extremely beneficial to many Canadian producers, and after it was enlarged in 1932 it was of enormous help to Canada in weathering the great depression. Indeed there are numerous communities in Canada, *e.g.* the applegrowing districts of Nova Scotia and British Columbia, which have come to regard their preferential privileges in the British market as the sheet anchors of their prosperity and which today are extremely apprehensive

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lest these be pared down to facilitate the consummation of an Anglo-American trade agreement. So it can fairly be argued that the preferences given by Britain tend to make their Canadian beneficiaries favorable to the British connection and to plans of imperial coöperation. As for the tariff preferences conceded by Canada to Britain, they are popular with the average Canadian consumer as a check upon domestic manufacturers; but they would be much more popular if certain British exporters did not regard them as a form of subsidy to themselves and if they did not prevent the Canadian consumer from getting more than a comparatively small benefit from them. Often these British exporters have a margin of 30 percent in their favor, and they apply a large part of this to augment their own selling profits instead of letting the Canadian consumer enjoy a substantial reduction in the prices of the goods which they offer him.

But despite this modification of the effects of British competition, many manufacturing interests in Canada regarded the preferences conceded to Britain as opening the door for an unjustifiable invasion of their own preserves, and the result is to weaken Imperialist sentiment in the industrial areas. There is, incidentally, another curious outcome of the preferential system. The preferential privileges available to Canadian goods not merely in Britain but in other parts of the Commonwealth have induced a number of American industrial interests either to establish branch factories in Canada or to acquire existing Canadian plants. The system therefore operates in some degree to increase American control of Canadian industry, which was far from being the objective of its architects.

But though the domestic protectionist interests in Ontario are wary about supporting any closer economic consolidation of the Commonwealth lest it should lead to the abolition of all trade barriers between the member states, they join the large majority of the population in being willing and eager for imperial coöperation in other spheres. On the question of foreign policy, in particular, Ontario parts company with Quebec. Some of the rural folk of Ontario may be isolationist, and the French-Canadian settlers in the northern counties may share the views of their Quebec compatriots, but in most sections of the province the traditions of the United Empire Loyalists still survive in vigor, and the citizens of places like Toronto and Hamilton make proud boast that they yield to nobody in their devotion to the

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British Crown and Commonwealth. Thus there is scant support in Ontario for the idea of any further severance of ties with Britain, whatever may be the risks involved in their retention. There are also to be found here many believers in a system of collective security; if these cannot get it through the League of Nations, they will support an effort to secure a substitute through a common defense policy for the British Commonwealth.

It is in the Prairie Provinces of Manitoba, Saskatchewan and Alberta that collectivist sentiment has its firmest foothold. These three provinces are the Canadian counterpart of the American prairie states just to the south. Each region resembles the other in terrain, climatic conditions, economic activities and social structure and hence in political outlook. Each has been a hotbed of radicalism due to the belief of its inhabitants that their economic and other troubles are largely due to the selfish exactions of vested interests having their headquarters on the eastern seaboard of the continent. The Canadian prairies can offer orators who in the fervor of their denunciations of St. James Street, Montreal, match the western American critics of Wall Street. But in regard to foreign policy the prairie region north of the international boundary has a different outlook from that to the south. The close settlement of the Canadian prairies was delayed until all the best land in the milder climate of the adjacent American states had been taken up, that is to say until the closing decades of last century. The dominant strains among the early settlers were Eastern Canadian and British, almost in equal proportions. Later there began a northward hegira of land-hungry American farmers and there also came a steady stream of European immigrants representative of practically every race. Ukrainians were most numerous; but there were also large contingents of Germans, Russians, Swedes, Icelanders and others.

Now these European groups in Western Canada, as well as many of the British-born element, have not been there long enough to sever their ties with their kinsfolk and to lose all interest in the fortunes of their native lands. From the first, they were in the main favorably disposed to the idea of the League. Moreover, it happens that in the Prairie Provinces the newspaper field is largely dominated by two groups of papers owned respectively by the Sifton and Southam families. The editorial policies of these papers, though on domestic issues ranged on opposite sides, have been strongly directed to support

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of the League and to promoting Canada's zealous adherence to it. These two factors combined to give collectivist sentiment a vigor in Western Canada not found in other sections. Now that the League is in a state of collapse a general disappointment and disillusionment has come over the inhabitants of the prairie country. But for economic reasons they cannot renounce all interest in the affairs of the outside world. They have been experiencing hard times as a result of a series of devastating droughts which have aggravated the consequences of the agricultural depression. In the last few years the wheat crop, which is the main buttress of the prairie economy, has been so small that little difficulty has been experienced in disposing of it. But when a normal harvest returns, as it promises to do this year, the Prairie Provinces will again be faced with the problem of finding an outlet in foreign markets for between 200 and 300 million bushels of wheat. They have found themselves in recent years excluded from what once were profitable markets in Italy and Germany by the policies of economic autarchy enforced by the dictatorial governments of these nations, and they know that a revival of genuine prosperity cannot come to the Canadian West until some sort of international appeasement is achieved, which lowers trade barriers and permits the restoration of a sane system of international commercial intercourse.

Accordingly, in their own selfish interests the people of the Prairie Provinces will remain interested in all plans for clearing up the present European mess and will want Canadian governments to make whatever helpful contributions they can in that direction. They will also support the retention of the British connection, because Britain is now by far the largest market for Canadian wheat and because sales there are helped by a substantial preferential privilege. They will also want to be able to rely upon the protection of the British fleet for trade routes. Indeed, the proposal frequently is heard in this region that the western provinces should hive off and form a separate Dominion, so as to secure emancipation from the exactions of the protected industrial interests of Eastern Canada and be able to exchange their agricultural products for British manufactured goods with the interference of only a tariff for revenue. Proponents of this idea argue that its adoption would open up a new era of prosperity for the West and pave the way for a revival of immigration on a large scale. It is not for the moment within the domain of prac-

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tical politics. But if ever the French-Canadian element were to achieve complete numerical dominance in Eastern Canada it might become a very live issue. Meanwhile the people of the prairies will continue to hope against hope for the rehabilitation of the League and throw their influence against illiberal isolationist policies.

Imperialist sentiment is probably strongest in the westernmost province which lies between the Rocky Mountains and the Pacific Ocean. British Columbia was originally settled by immigrants from Britain and was with difficulty dragged into the fabric of Canadian Confederation in 1871 by material allurements such as the promise of the completion of a transcontinental railway. Today its population contains a larger proportion of British-born stock than any other Canadian province, and moreover a considerable element of these are upper-class émigrés who feel that British Columbia offers a better milieu for a dignified life on a slender income than does the mother country. Conservative in their outlook, most of them have the passionate patriotism of the exile, and they provide a political element of "diehard" Imperialism which has no exact counterpart in any other section of Canada. The fact that the main economic activities of British Columbia are lumbering, fruitgrowing, mining, and fishing, and that the exports from these industries enjoy valuable preferential privileges in Britain, merely makes British Columbians more sensible than ever of the material benefits of the British connection and more anxious to preserve it.

Another factor which strengthens Imperialist sentiment in British Columbia is the local unpopularity of the Japanese nation and an ingrained suspicion of its ambitious designs. At intervals perfervid agitations about the "Yellow Peril" boil up in British Columbia and gloomy forecasts are made of the day when the white population of the province will find itself in a position of numerical inferiority to the Orientals and compelled to accept a degraded standard of life. By the last census (1931) the combined Chinese and Japanese population of British Columbia was 49,344, roughly 7 percent of the total population of 694,263, and its increment by immigration is kept down to narrow dimensions by drastic regulations embodied, in the case of Japan, in a so-called "gentleman's agreement." Today Japan's attack upon China has brought to life the latent antagonisms against her, and British Columbian supporters of the Government of Mackenzie

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King have during the present session been advocating measures to ban all Japanese immigrants and to exclude Japanese from fishing privileges on the Pacific Coast. Furthermore, it is alleged that many Japanese are illicitly smuggled into the province every year, and the Ottawa Government has had to take cognizance of this charge by appointing a special board of investigation.

The nervousness of the people of British Columbia about the aggressive militarism of Japan disposed them to give strong support to the rearmament program upon which the Mackenzie King Government has lately embarked, and substantial appropriations have been allotted to new defenses on the Pacific Coast. But the Minister of National Defense, who represents British Columbia in the Cabinet, frankly admitted during this session that for the defense of her Pacific coast Canada must in the last analysis rely upon the might of the British Navy and upon the hope that the coöperation of the American Navy would also be available. British Columbians may be zealous Imperialists, but they also know that in the event of a general war between the democratic and the Fascist nations, the energies of the British Navy might be fully occupied in the Mediterranean and elsewhere, and so they do not disdain the suggestion that timely succor might be forthcoming from the United States.

If no fundamental principle seems to direct the foreign policy of Canada, that is mainly due to the constant conflict between the separate doctrines of Imperialism, collectivism and isolationism. This conflict has impelled all Canadian governments since the war to pursue an opportunist course in the field of external relations, dictated by what is chronically the main objective of politicians, the alienation of the smallest possible number of votes. Another general European war might find the isolationists in the saddle. But a grave political crisis would have to be overcome first, and the struggle would do serious damage to national unity. Meanwhile, in the domestic political arena the visibility is very low. While the Liberal Ministry of Mr. Mackenzie King has been receding steadily in popular favor, no other party at present offers the prospect of an efficient administration. The constitutional controversy now looming into view might easily lead to a completely new alignment, with one element standing fast for existing provincial rights, and the other determined to strengthen the Federal authority. Such a struggle would change the whole face of Canadian politics.

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# SWITZERLAND IN A CHANGING EUROPE

*By William E. Rappard*

SWITZERLAND, always something of a riddle in European developments, is today more so than ever. She is a landlocked country, deficient in natural resources. For over six centuries she has been a republic surrounded by monarchies. She became a liberal democracy in 1848, at a time when the general European environment was neither liberal nor democratic. From 1870 — when Italy and Germany achieved national unity — until the World War, she was surrounded by four powerful neighbors, each with a population of from ten to twenty times her own. Her people, having long partaken of three rival cultures, have never enjoyed either confessional or linguistic unity.

Yet this small state has survived all the tumultuous wars which have laid Europe waste during more than six centuries. In spite of being landlocked she has exported her textiles, her watches, her machinery, her chemical products and, above all, her emigrants to the four corners of the earth. The United States alone has nearly as many Swiss-born as, for instance, French-born. Though a poor country, without raw materials and colonies, she nevertheless was the birthplace of the Industrial Revolution on the European Continent. The per capita value of her foreign trade exceeds not only that of Great Britain and the United States, but of Holland and Belgium, small states like herself. Her general standards of economic and social well-being are a source of astonishment to all foreigners and a cause of envy to her neighbors. And this small people, internally divided by tongue, creed and divergent international sympathies, today remains firmly united in a common devotion to its national independence.

II

The changes which have come over Europe since the World War have increased Switzerland's difficulties, both economic and political, but they have reënforced rather than shaken the determination of her citizens to subordinate everything to the defense of her national unity. To understand the country's peculiar international position today we must first of all examine the point of view from which the Swiss regard those changes in Europe's equilibrium. Her geographical position, her small area,

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her economic structure and the racial composition of her people combine to make her extraordinarily sensitive to what goes on beyond her own frontiers.

Though the peace treaties of 1919 did not modify the Swiss boundaries, they changed the country's politico-geographical environment. The restitution of Alsace to France prolonged the Franco-Swiss frontier to the Rhine at the expense of Germany, and the Italo-Swiss border was slightly extended at the expense of Austria. More important from the Swiss point of view, however, was the substitution of a small and weak state for the former Austro-Hungarian Empire. The postwar Austria was only about twice as large as Switzerland and only about one and a half times as populous. Since republican Austria's weakness was a cause of international uncertainty, Switzerland was merely consulting her own interests when she participated in the League's efforts to bolster up Austria economically.

Austria's recent disappearance from the map is viewed with more concern in Switzerland than almost anywhere else. Her neighbors are reduced from four to three (not counting the diminutive principality of Lichtenstein, which is joined to the Swiss Federation by a customs and monetary union). Even more significant, the balance of influence and power among those neighbors has been completely upset. Before the war, Germany occupied the most important place in Switzerland's foreign trade, both as a supplier and as a customer; and except for the years just after the war, Germany has maintained this place. With the resources of Austria added to her own, Germany's commercial supremacy in the Swiss market will become even greater. Strategically, the end of Austria has rendered Switzerland far more vulnerable, particularly *vis-à-vis* the Rome-Berlin axis. More than two-thirds of the total length of her frontier now touches Germany or Italy.

Even more important than these territorial changes, from the Swiss point of view, have been the alterations in the constitutional structure of the neighboring states. Before the war, Europe was a continent of monarchies. There were only three republics, of which Switzerland was by far the oldest and best established. After the Armistice, the sudden adoption of republican constitutions in all the new states, and particularly in Germany and Austria, seemed to create a more congenial political environment. But soon the rise of dictatorships, first in Italy and then in Germany and in Austria, threw Switzerland back into a greater

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isolation, constitutionally speaking, than she had been in before the war. And even on her other frontier there have been events, *e.g.* certain adventurous policies pursued by the French *Front Populaire*, which helped make the consciousness of this isolation especially acute.

III

Fluctuations in the foreign policy of other states, particularly as affects their relations with the League of Nations, have also had repercussions on the Swiss position. When Switzerland was invited to accede to the Covenant in 1919, both her government and her people felt considerably embarrassed. They naturally welcomed with enthusiasm the League's fundamental idea, the substitution of law for war in international relations, the more so as they hoped the League would afford some peaceful means for correcting what they held to be the errors in the treaties themselves. On the other hand, it was with reluctance, indeed repugnance, that they regarded the prospect of entering into any undertakings which might conflict with their traditional policy of neutrality. This feeling was strengthened by the fact that not all the Powers were, for one reason or another, expected to join the League.

Their hesitations, and to some extent their scruples, were overcome by a clause inserted in Article 435 of the Treaty of Versailles and by a declaration of the League Council on February 13, 1920. The clause was to the effect that the guarantees of Swiss neutrality contained in the treaties of 1815 were held to constitute "international obligations for the maintenance of peace," which engagements, under the terms of Article 21 of the Covenant, were declared to be compatible with its other provisions. By its declaration of February 13, 1920, the Council of the League expressly recognized "that the perpetual neutrality of Switzerland and the guarantee of the inviolability of her territory as incorporated in the Law of Nations, particularly in the Treaties and the Acts of 1815, are justified by the interests of general peace and as such are compatible with the Covenant." In consequence, Switzerland, while recognizing and proclaiming "the duties of solidarity which membership in the League of Nations imposes upon her, including therein the duty of coöperating in such economic and financial measures as may be demanded by the League of Nations against a Covenant-breaking state," and while being

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"prepared to make every sacrifice to defend her own country under every circumstance," was relieved of the obligation "to take part in any military action or to allow the passage of foreign troops or the preparation of military operations within her territory." It was under these conditions that the Swiss people by a nation-wide referendum authorized the Federal Council to accede to the Covenant on May 16, 1920.

In its early days the League was often criticized, in Switzerland as elsewhere, as an alliance of victors in which certain neutrals were tolerated but from which the defeated Powers were excluded. This view soon proved erroneous. Though strong feelings on the part of several countries made impossible Germany's prompt admission to the League, she was associated with the International Labour Office from the very start. Furthermore, Austria and Bulgaria were admitted in 1920 and Hungary in 1922. The attitude towards Germany also rapidly changed. Indeed, when she was finally welcomed to Geneva in 1926 the step was held to be quite as much a triumph for the League as for her.

Notwithstanding the legal guarantees which Switzerland had secured in 1920, she continued to feel some uneasiness about her own position as a neutral state, belonging to a League whose membership was not universal and whose fundamental law provided for collective sanctions against aggressors. After the admission of Austria and Germany this uneasiness subsided somewhat. But her misgivings were again aroused by the withdrawal of Japan and Germany from the League in 1933, the admission of the Soviets (with whom Switzerland has never resumed diplomatic relations) in 1934, the failure of the Disarmament Conference, the experiment with sanctions against Italy, and finally Italy's withdrawal in 1937. These developments have forced the Swiss Government to reconsider its position in the League.

Threatened with a new popular referendum intended to rescind the decision taken in 1920, the Federal Council on April 29, 1938, asked to be released even from the limited obligations assumed in joining the League and requested a renewed recognition of Switzerland's traditional neutrality. This was done by a resolution of the League Council on May 14. But the Swiss Government does not wish to abandon the League. In the first place, the Swiss people are more attached than ever to the fundamental principles of international law and order which led them to join the League in 1920 and which, though sadly disregarded since, remain in their

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eyes the principal justification of its existence and the only hope for the future. In the second place, they realize that to leave the League, now that it is violently attacked by Germany and by Italy but still supported by the more liberal and pacific states of Europe, would be interpreted less as an assertion of neutrality than as an act of subservience to the Rome-Berlin axis. And against such a policy of subservience the Swiss people would revolt almost unanimously.

IV

The economic, financial and monetary instability characteristic of the last twenty years has proved just as unsettling to Switzerland's material position as the above-recalled events have been to her political situation.

In the field of commercial policy, these years have seen a general rise in tariffs and other restrictive measures. In finance, they have been years of increasing public expenditure, of rising taxation, of enhanced national and international indebtedness, and of general public and private bankruptcy. In the field of monetary policy, they present a record of inflation and devaluation such as the world has not experienced for over a century.

It requires little imagination to picture the terribly destructive effects which developments like these were bound to have on a country in Switzerland's position. In 1913 more than three-quarters of her exports — particularly vital for a nation deficient in domestic food stuffs and raw materials — were shipped to the following countries, enumerated in the order of their importance for Switzerland: Germany, Great Britain, France, United States, Italy and Austria-Hungary. All these states devalued their currencies before Switzerland, which managed to hold out until the autumn of 1936. Furthermore, those which were already protectionist raised their tariff walls still higher, while Great Britain, whose free trade market had always been particularly hospitable to Swiss exports, became mildly protectionist after the war and vigorously so in 1931. Let me cite merely one instance of how this affected Swiss trade. Influenced by the general depression, Britain's conversion to protectionism and the devaluation of the pound, Swiss exports to Great Britain fell from 230 million Swiss francs to 87 million in the space of one year (1931 to 1932).

Swiss exports, which before the war were rising gradually but steadily, reached abnormal heights during the war due to scarcity

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prices and currency depreciation. After the war they became stabilized at a lower though still relatively high level, and remained there until 1929. Since then they have shrunk to far less than their prewar importance. Although the 1937 figures, in francs, are somewhat more favorable than those for 1936, they are about what they were at the turn of the century, when the population of Switzerland was 17 percent less than it is today and the gold content of the franc was 30 percent greater.

Imports, which before the war always exceeded exports by from 20 to 30 percent in value, rose less than exports during the war and have fallen slightly less in the period since then. Even today, though Switzerland's imports are only two-thirds of what they were in 1913, they still amount to over 1,200 million francs, or approximately 280 million dollars. This means that the Swiss purchase from abroad every year about $72 worth of goods per capita.

How have the Swiss people reacted to all these happenings?

In the first place, the loss of foreign markets, the depreciation of foreign investments (especially when expressed in the national currency), and the decline in the tourist traffic, have all affected the national income adversely. Unemployment, though moderate when compared with that prevailing in most other industrial countries, steadily increased from 1929 until 1936 when the number of registered jobless nearly reached one hundred thousand. Since then, public works and increased exports have caused it to decline somewhat. The rise in Swiss exports is due to the absorption of foreign competitors with armament orders and to the weakened position of certain sectors of French manufacturing.

A second notable consequence of postwar economic developments has been the stimulation of the class consciousness of those small artisans and shopkeepers who are referred to in Marxian parlance as the petty bourgeoisie. In Switzerland as elsewhere, this class has long suffered from the effects of the Industrial Revolution and the growth of large-scale retail distributing agencies, such as consumers' coöperatives and department stores. Postwar protectionism was naturally most welcome to the smaller craftsmen, as it tended to expand the internal market. On the other hand, the rise in the cost of living consequent upon the higher tariffs promoted the growth of the larger retailing organizations, which of course were as popular with the consuming public as they were unpopular with the small business men.

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This situation gave rise to some rather peculiar political developments. The small retailers have clamored — and with some success — for legislation restricting the size, number and activities of department stores. In this they were supported by some minor pro-Fascist and anti-Semitic organizations that had sprung up in large cities such as Zürich, Basle, Berne and Geneva. Actually these organizations are very limited in membership, and the few young people who have joined them are constantly quarreling over the choice of a leader. Swiss democracy seems to assert itself in that the will to lead is much more general than the will to be led!

In opposition to these small and sometimes unruly groups — whose constant schisms and secessions naturally attract much press comment — there sprang up around a certain Mr. Duttweiler a movement of consumers hostile to the protective policies of the government. During the war Mr. Duttweiler had been partially responsible for securing Switzerland's food supply. After the war he became a planter in Brazil, but returned to his native land in 1925 and set up several grocery firms, notably a semi-coöperative institution called the Mi-Gros. His plan, which he has carried out with great success in the face of much middle-class opposition, is to sell groceries from motor trucks, whose itinerary is announced in a time-table published in a paper created for the purpose. By eliminating the middleman and sharing his profits with the consumers Mr. Duttweiler soon became the consumers' idol. This induced him to go into politics, to found a federal party, and to be elected to Parliament at the head of a group of seven representatives. As a parliamentary legislator, however, he has been, if not less spectacular, at least much less effective than as a wholesale-retail grocer.

A third consequence of the diminution of the national income and of the general dislocation of trade has been the tremendous increase in expenditures by the federal, cantonal and municipal governments. Doles and public works, subsidies to various professional groups and to the peasants, and greatly enhanced military expenditure, have led to unbalanced budgets and — despite increased taxation — to a steadily mounting public debt. The total debt of the federal government was only 161 million francs in 1913, if we leave out of account the debt of the state railways. By 1918 it had increased to over 1,600 million, and today it is nearing the 3,000 million mark. If we include the state railway

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debt, we reach a total federal debt of more than 6,000 million francs. If we add thereto another 3,000 million francs representing in round figures the debt of the cantons and municipalities, we discover that the per capita public indebtedness of Switzerland is over 2,000 francs, an increase of at least 300 percent since 1913.

A fourth consequence of these developments has been a tremendous extension of government enterprise, government intervention and government regulation, which for want of a better word might be called state socialism. Consideration of this important fact serves to lead us from economics and finance into the field of politics.

V

By supporting the unemployed, by fixing prices, by protecting various economic groups all the way from petty craftsmen to banking establishments, the state has undoubtedly weakened the spirit of initiative and self-reliance which alone can make the country prosperous. Furthermore, this ever-increasing state intervention in economic life has tended to augment the number of political parties and modify their character.

There are three traditional parties in Switzerland, one conservative, one liberal and one radical. To these, shortly before the war, was added a Socialist Party. Since the war there have risen a so-called Farmers' and Burghers' Party, a so-called Young Peasant Party, an Independent Consumers' Party (the Duttweiler group), and a small Communist group. The traditional parties, created over a century ago, had been formed in order to defend rival political philosophies. The newcomers, on the other hand, were essentially economic pressure groups. The latter of course soon reacted on the former, so that parliamentary debates have come to turn upon questions concerning the distribution of the national income rather than upon political matters in the stricter sense of the term. The federal government cannot maintain its majority against the Socialist opposition without the support of the peasants' representatives, with the result that the latter today exercise an influence quite disproportionate to their numbers.

In the National Council (the popularly elected branch of the Parliament) the extreme Left is composed of the Communists, now represented by two deputies, and the Socialists. Up to the elections of 1928 the Socialists increased their numbers; but since

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then they have merely held their ground. It is noticeable that in very recent times they have become distinctly more coöperative and less radical; for instance, they discourage rather than provoke labor disputes, and they support, instead of combating, bills for military expenditure. This changed attitude is clearly due to the altered international situation.

In 1920, the Socialists opposed Switzerland's entry into the League of Nations, denouncing it as a conservative institution for the defense of capitalism. But now that the Soviets have joined the League and the German and Italian dictatorships have left it, the Socialists have come to be its best friends. Many conservatives, on the other hand, repelled more by the Soviets than by their Fascist foes, have become lukewarm, if not hostile, to the League. Certain recent developments, however, especially the behavior of Nazi Germany in Austria, have created a greater spirit of unity among all the Swiss political parties than has been seen for generations. The parties of the Right were, for national reasons, alarmed by the actions of the German Government; while their opponents of the Left judged the Nazi coup even more severely, as being a threat to their social ideals of democratic liberty.

This state of affairs explains the extraordinary proceedings in the Federal Parliament on March 21, 1938. At the opening of the ordinary session, the following declaration on behalf of the federal government was solemnly read in German, French and Italian before both houses:

> On March 13, the federal state of Austria, with which Switzerland maintained cordial relations of good neighborhood, ceased to exist as an independent state. This historical event, which took place before our eyes, is of immense importance. The wish to unite the peoples of Germany and Austria was not a new aspiration; it had already given rise to armed conflicts in the last century; that wish has now been realized.
>
> The Federal Council understands the emotions which have been provoked among the Swiss people. It seizes the opportunity offered by the meeting of the Federal Assembly in ordinary session to enlighten public opinion and to dissipate unjustified apprehensions.
>
> The changes which the political map of Europe has undergone in the last few days cannot lead to a weakening of the political position of Switzerland. On the contrary the independence and the neutrality of the Confederation appear today more than ever indispensable to the maintenance of the equilibrium of Europe.
>
> We have received formal assurances of undisputable value to this effect from all sides. None of our three neighbors can wish or hope for the disappearance of

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Switzerland. None threatens our democratic institutions, which are essential to the life [*qui constituent des raisons de vivre essentielles*] of the Confederation and of its twenty-two cantons. It is Switzerland's secular mission in Europe to guard the passage over the Alps in the interests of all. It is the unanimous and unshakable will of the Swiss people to accomplish this mission and to assure the respect of its independence at the price of its blood.

Switzerland holds aloof from foreign quarrels. Any attack on the integrity of our soil would be an abominable crime against the law of nations.

There is no doubt about the lesson taught by these events: our efforts for the recognition of our integral neutrality must be pursued to a successful end. There must remain no possible equivocation in this respect. It is necessary furthermore for us to endeavor to maintain to the same degree correct and friendly relations with each of our neighbors.

The struggle which is going on abroad between opposed political systems is no concern of our state. Every people is free to choose its own internal régime. The Swiss people are united in the determination to defend at any cost, to the last breath and against anyone, the incomparable country which is theirs by God's will.

Let us in these troubled times become ever more convinced of our providential mission; let us show that a democracy like ours is a régime of disciplined liberty and that nothing can weaken the force of the federal bond.

Anyone familiar with the essentially undramatic character of Swiss political life and with our aversion for rhetorical utterances will appreciate the exceptional significance of this declaration. In order to make the occasion still more impressive, every member of the Parliament (except the two Communists and a single pro-Fascist) agreed on the following statement, which was also read in both houses in the three official languages by deputies representing both the majority and the Socialists:

All the political groups of the two houses approve the declaration of the Federal Council. They solemnly affirm that the whole Swiss people — without regard to tongue, confession or party — are prepared to defend the inviolability of their territory against any aggressor to the last drop of their blood. This defense will be all the more effective as it will be inspired by the respect of popular rights and based on the coöperation of the whole people.

The Swiss people are prepared to consent to the sacrifices necessary for their national defense, but the military armament of the country would be useless if it did not rest on the spiritual and moral forces of the whole people: the union of all Confederates must be placed above all political and economic struggles and our internal discussions must be carried on in a spirit of dignity, in the respect of contrary opinions and in fidelity to our democratic institutions.

The federal Constitution makes it incumbent upon the Federal Council to guard over the external security of Switzerland and the maintenance of her independence and neutrality. The Swiss people support the Federal Council in this essential task, which must be carried out in the spirit of Swiss democracy and in full accord with Parliament.

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Trusting to Providence, which has always protected our country, the Swiss people are prepared to face with determination and courage any tribulations which the malice of the future may hold in store.

The first of the orators called upon to read this statement in the National Council was Herr Grimm, the Socialist who had headed the revolutionary strike in November 1918. His intervention twenty years later in favor of the security of Switzerland and the union of all its citizens indicates how greatly European events have affected Swiss politics.

The menace contained in the German and Italian dictatorships has similarly brought together the three linguistic elements. The German Swiss are naturally most disquieted by the aggressive and intolerant National Socialism of their neighbors to the north. The Italian Swiss are equally alarmed by the no less aggressive and intolerant Fascism of their cousins to the south. In the French-speaking cantons the bourgeois majority has looked with increasing disfavor on the policies of the *Front Populaire* in France. In the past, foreign influences often weakened the unity of the Swiss people; today, on the contrary, they tend to consolidate it. Thus a normally centrifugal force has, under circumstances entirely without precedent in Europe, come to be distinctly centripetal in its action on the national temper of the Swiss people.

The ideals of the German and Italian dictatorships are in every respect not merely thoroughly foreign to the historical traditions of the Swiss, they are diametrically opposed to them. This point should be stressed, as otherwise various recent incidents in Swiss political life are apt to be misconstrued abroad. Some observers have pretended to see in Switzerland's foreign policy certain indications that she is "going Fascist," *e.g.* her cautiousness *vis-à-vis* the neighboring dictatorships, the illiberal anti-Communist laws recently adopted in several of the cantons, and the large minority which in the recent referendum voted for the suppression of Free Masonry. Nothing could be more mistaken. Swiss foreign policy, as explained above, is of course dominated by the country's geographical situation and by considerations of security. The anti-Communist laws are a rather naïve expression of disgust with Russian Bolshevism and of the desire to avoid the fate that has overtaken Spain and is menacing France. As for the referendum on Free Masonry, it disappointed its sponsors, who may have been inspired by the examples of the neighboring dictatorships. They had obviously counted on the very widespread

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and deep-seated unpopularity of the Masons, who for generations had been accused of favoring its members at the expense of the common interest. Their initiative failed completely; and it is significant that the heaviest negative majorities were in the cantons bordering on Germany and Italy.

Switzerland's fundamental hostility to dictatorship as a scheme of government is based on a threefold consideration. The authoritarian régimes, by exalting the idea of the state or of the race, tend to impose uniformity and to destroy regionalism; whereas Swiss national unity is based on the federation of autonomous units, each glorying in its diversity. Moreover, by denying their subjects all constitutional rights and by stressing the virtues of discipline, the dictatorships sacrifice the individual on the national altar; whereas Switzerland has ever been the home of political individualism. Finally, the dictatorships rest upon an unbounded enthusiasm for the Führer and for the Duce, whose ambitions are clearly to extend their own power and that of their nation; whereas the Swiss are so hostile to every form of hero worship that they are disinclined even to accept the temporary leadership of elected presidents, preferring instead to be governed by anonymous committees. The Swiss are furthermore quite opposed to every form of territorial expansion. That this is not a case of sour grapes was shown in 1919, when they most vigorously discouraged the inhabitants of the neighboring Vorarlberg, who spontaneously expressed a wish to separate from Austria and join the twenty-two cantons.

Thus, the ideology of the dictatorships is in every respect contrary to the traditions and instincts of the Swiss people. When, therefore, they look towards their neighbors to the north and east and south they cannot help feeling uneasy, notwithstanding the extremely cautious policy of their own government and the many reassuring official declarations that have come from Rome and Berlin. If the worst came to the worst, they might be invaded, slaughtered, conquered. They can never be bullied or seduced.

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# ANTHONY EDEN

*By Victor Gordon Lennox*

THE resignation of Anthony Eden from the British Foreign Office on February 20, 1938, revealed for the first time to the bulk of the British public a sharp and growing cleavage in political thought between the younger and the older generations. The issue on which the resignation was given and accepted seemed obscure and even insufficient to many, among them some of Eden's own best friends and colleagues in the Cabinet. But the question, as Eden saw it, was something greater than whether or not the British Government should enter into negotiations with the Italian Government on the latter's own terms. There was involved a dual question of principle, part somewhat personal, part essentially national. That proportion of the difference which was personal need never have arisen but for the fundamental clash on that which seemed essential from the national point of view.

To judge whether this is a true estimate, we must recall something of the past. Fifteen years of animated politics had drawn Anthony Eden and Neville Chamberlain constantly into closer relations until shortly after the older man was called upon to take over control and direction of British affairs. We must examine the causes, then, so far as they are known, which produced a progressive estrangement and a mutual irritation in which each felt so keen a sense of frustration that to continue longer together had become personally impossible and nationally undesirable. Neville Chamberlain, Prime Minister of Great Britain in his sixty-ninth year and now rising 70, was already nearly 50 when he first entered the political arena. Behind him lay a solid and excellent record of municipal administration. For the next 18 years of his life he was destined from Whitehall to concern himself with such questions as public health and housing, the City and finance. Hard-working, efficient, with a strong mind of his own and, as it developed in later years, a certain admiration for the efficiency of the dictators, Neville Chamberlain came to the highest office imbued with the idea that he would make his mark as the pacificator of Europe. Without any special detailed knowledge of foreign affairs, and with a marked mistrust of those who had, he believed, none the less, that he could see clearly the path along which salvation might be found.

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When Neville Chamberlain, aged 49, fought his first successful Parliamentary election, Anthony Eden, aged 21, returning from the war, a Brigade-Major with the Military Cross, was hastening back to Oxford, there to resume his study of oriental languages and, in spare time, to indulge his love of the arts. His education completed — including the somewhat exotic ability to talk Persian — Eden, now 24, made his first and unsuccessful bid to enter Parliament as the representative of a Durham mining constituency. The next year he married the daughter of a well-known Yorkshire family and the same autumn, was elected M.P. for Warwick and Leamington, a pleasant country constituency.

Anthony Eden, aged 26, foreign affairs minded, and Neville Chamberlain, aged 55, grappling with the domestic housing shortage, unification of local tax systems and other kindred problems, had little in common. It was to Neville's half-brother, Austen, that Eden turned as the elder statesman best able to help him in his ambition to specialize on foreign policy. By 1926 he had succeeded in persuading Sir Austen, then Foreign Secretary, to appoint him as Parliamentary Private Secretary, a post carrying no pay but offering unrivalled opportunities for studying the work of the Foreign Office from within and for knowing, at first hand, everything going on in the world.

Perhaps it was undiscerning of some of us who were engaged in political journalism in those days that we did not spot the young Eden as a coming force in British public affairs. Indeed, some among us may have done so. But the requisite force of character and drive were not obvious. Personally, I recall this budding Foreign Secretary as a somewhat frail fellow, with a marked stoop and the tired eyes of a student, rather than the arresting gaze of a leader. Memory may be at fault or observation may have been superficial. At any rate, ten years later he had gained physical stature in direct ratio to his increased authority and almost headstrong determination to carry through the policies with which he was identified.

Looking back over the events of the past ten years one can hardly fail to be struck by the extent to which Anthony Eden typified the outlook of those near to his own age or a little younger. In him one finds a mirror of the changes which succeeded one another in the minds of so many of his countrymen. There was the immediate postwar idealism blended with the hatred of war and all its beastliness which animated the men who

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came back to rebuild a country on the ruins of one they had scarcely known. There was the sincere belief that the world had learned its cruel lesson, that a new order could now succeed the old, with armed conflict replaced by peaceful negotiation. The newly-created League of Nations appeared as an instrument admirably suited to serve these ends; and if it lacked much through failure to win, or to provide for, universal membership, improvements in this direction might well be achieved. Already in the autumn of 1926 Germany had been brought into the League, following the conclusion of the Locarno Treaties, which as it proved were destined to remain the foundation and guarantee of West European peace for only ten short years.

Thus when Anthony Eden became Austen Chamberlain's Parliamentary aide-de-camp, hopes in Britain, steadily rising, had induced in the bulk of the public a sense of well-being and comfortable complacency. To decry the wisdom of unilateral disarmament; to question whether all other states would follow the British lead; to doubt the good sense of spending lavishly the money so saved on creating luxurious social services — these were heresies and indecencies attributable only to a war-warped mind. The politicians directing affairs in these early days of Eden's parliamentary career were no less actively engaged in maintaining the illusions of the people. The country had settled down to a long spell of Conservative administration after a brief and undistinguished interlude of Socialist minority government, supported by the Liberal remnant. To Mr. Baldwin, Mr. Neville Chamberlain, Lord Balfour, Lord Salisbury and others of the prewar generation, it seemed clear that the first national interest was to ensure that, at the next general election, the Conservatives should again be returned to the control and direction of affairs. This might not be so easy. Socialists and Liberals combined in 1923 had heavily outpolled the Conservatives, and even in the last election the former could point to a majority of the voters in the constituencies. The Socialist strength alone stood at 75 percent of the Conservative. In such circumstances prudence appeared to dictate, pressing on with the general policy of outbidding the Socialists in their own special fields. At home this involved always greater bribes to the electorate — bribes for which it would be difficult to find the money unless there were drastic savings on defense. Abroad it involved professions of passionate faith in the League and all its works, as the symbol of international coöperation so

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dear to the heart of the Socialist postwar movement. So it came that British policy was "unswervingly attached to support of the League and to the deathless cause of disarmament."

Just how far the elder statesmen knew that there was an element of dishonesty in their policy, it is now perhaps profitless to speculate. If they knew it, then they could quickly banish misgivings from their minds by recalling the greatness of the ideals at which they appeared to aim. But what is important to note at this stage is the fact that among the younger generation the misgivings which may have assailed the older men were almost entirely absent. Instead, the generation of which Anthony Eden appears typical was very largely, if not universally, convinced that the ideal goal was attainable. In the efforts to improve the lot of the masses at home they were no more conscious of cynical political motives than they were doubtful of every League member's willingness to spring to the defense of another member, the victim of aggression. As the years rolled on they noted that peace in Europe was preserved and did not doubt that the reason lay in the great authority of the Geneva institution. Instead of thanking France for maintaining a military superiority which defied challenge for the first fifteen postwar years, they reviled her as the main obstacle to full attainment of the Geneva ideal. Their criticisms, delivered with a degree of violence almost surprising, testified to the genuine character of their convictions in pursuit of idealism.

Under the tutelage of Austen Chamberlain, Anthony Eden grew wiser than some of his generation about the services which France was rendering to Britain. While he cherished no special hatred against Germany — for it was not in the British soldier's character to keep up a feud against a defeated enemy — he recognized that Anglo-French friendship was an essential for Britain. He saw that the day was approaching when Germany inevitably would regain much of her former strength. Working in the Foreign Office, he was aware of the reports showing that Germany had never, in fact, surrendered all her arms. As a student of history he was probably quite alive to the likelihood that the German nation would rise again and would then react against the new international organization for the preservation of peace. But the British people were still unaware of that danger. Instead they were encouraged to know that the Kellogg-Briand Pact renouncing war as an instrument of national policy had been signed by 65

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nations. Austen Chamberlain was still Foreign Secretary when Britain took the initiative in seeking to incorporate the principal aim of that pact in the League Covenant.

In the years that followed, Eden became increasingly well-known at Geneva to the statesmen of other countries. In the sequel to the financial difficulties which overtook Britain in the autumn of 1931, Anthony Eden, aged 34, obtained his first government post — Under-Secretary for Foreign Affairs. He thus was No. 2 to Sir John Simon. The Disarmament Conference opened in the following February, full of hope, in disregard of the obvious obstacles recognized by the Preparatory Commission which had been sitting for five years to achieve what Lord Cecil described as "a large measure of agreement as to what shall be limited and how it shall be limited."

It would be tedious to recall here how Anthony Eden, frequently left in charge of the British delegation at Geneva, became progressively more closely identified with the League of Nations policy and the natural idol of that mass of British public opinion which was firmly convinced that world disarmament could and would be achieved. But it may perhaps be pertinent to remember that the final withdrawal of Germany from the Disarmament Conference and from the League in October 1933 was the first of a chain of events which was gradually to convince the British people that the time was approaching when the League's ultimate function — to combine against an aggressor — might have to be put to the test.

From this stage forward the rôle and personality of Anthony Eden become more important. In 1934 it was decided that the situation called for a direct approach to Herr Hitler and to other Heads of Governments with a view to a new endeavor to open disarmament negotiations. Eden was regarded as the best man for the job, in the light of his long experience in the questions involved and his easy manner of approach. To invest him with the necessary authority he was appointed Lord Privy Seal, a sinecure office, with the instruction that he was to concern himself primarily with League affairs. In the winter of that year he was the leading figure in the negotiations and plebiscite for the return of the Saar to Germany.

Two significant points might here be mentioned. In the autumn of 1934 an unofficial ballot of the British people revealed an overwhelming majority of the voters in favor of "collective security."

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After scoffing publicly at this ballot for several months, the British Government suddenly decided that its results should be regarded as important. It was murmured that there might be a general election in the coming year; the votes commanded by the League of Nations Union could not be disregarded. Anthony Eden, hero of the League of Nations Union, became correspondingly a still more vital electoral asset to the Conservative government. Another point which today assumes some significance may be mentioned, though it is not, perhaps, widely known. When Britain decided to take the lead in dispatching an international force to preserve order in the Saar, one Cabinet Minister, and one alone, held that this was a first step towards an ultimate realization of the sole method whereby, in time to come, international peace would be preserved. That Minister was Neville Chamberlain.

In the following spring events still further conspired to force Anthony Eden to the front as the Minister most closely identified with the mind of the Foreign Office permanent staff. It happened in the following way. Germany under Hitler was bursting to establish her "equality of status" by all means in her power. Sir John Simon, Foreign Secretary, firmly convinced that he might one day succeed to the Premiership, was clearly attracted by the chances of establishing himself in the public mind as the man who had brought about an Anglo-German understanding. In his anxiety to pursue this road he found himself continuously opposed by his permanent advisers, who considered the grant of "a free hand to Germany in the east" as bound to lead later to most serious consequences for Britain. Word was taken to Mr. Baldwin, Conservative Premier of the National Government, that his Liberal Foreign Secretary was seeking to advance a foreign policy fraught with danger. What was more natural than that Anthony Eden, brought up in the Foreign Office school, and champion of the "collective system" which Simon would have sabotaged, should be still further pressed forward into the limelight as the Foreign Affairs Minister to whom other countries should pay closest attention?

The position was a curious one. In the spring of 1935, following a two-day conference in London of British and French Ministers, Britain was making a further approach to Germany for "a general European settlement." While provision was made for negotiation of "a western air pact," it was stressed that the security of

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states in eastern Europe must also form an integral part of the final instrument. In pursuit of these aims Sir John Simon was to visit Berlin. Immediately the governments in Moscow, Warsaw and Prague pointed out, through various channels, that so exclusive a trip to the Continent would create a most unfavorable impression. In the midst of this discussion Britain justified a first rearmament program on the grounds of Nazi Germany's growing military strength. Hitler countered with a diplomatic indisposition which involved cancellation of the British ministerial visit, and followed this up with a blunt denunciation of the Versailles Treaty military clauses. In a single bound he announced that Germany would have an army of 36 divisions, then renewed his invitation to the British Government for a visit to Berlin. Sir John Simon accepted and was accompanied by Mr. Eden. The latter went on to visit Moscow, Warsaw and Prague, as Sir John Simon could not be away from London for so long. To statesmen in the three eastern capitals it was whispered that they were the more honored, for their visitor was the coming Foreign Secretary — the man who embodied the real foreign policy of Britain.

From then on Anthony Eden had a busy time — so busy that on his way back from Prague to London, there to make weekend preparation of the dossier for the impending Stresa Three-Power Conference of Britain, France and Italy, he overstrained his heart and was out of action for a month or so. One might speculate on the effects of that accident on the future course of European affairs. It requires no special stretch of the imagination to deduce that, had Eden remained in action, and consequently accompanied the Foreign Secretary to Stresa, there might have been no Italian attack on Abyssinia, no rupture of the Stresa Front, and no Rome-Berlin axis. For it is questionable whether Eden would have acquiesced in the British delegation's decision not to raise the Abyssinian issue for fear of disturbing the happy atmosphere of the Stresa Conference. But at this distance of time it is perhaps more illuminating to recall that Mr. Neville Chamberlain, then Chancellor of the Exchequer, intervened actively from London (while at Stresa the Prime Minister, Mr. Ramsay MacDonald, and the Foreign Secretary, Sir John Simon, were discussing with Signor Mussolini and M. Pierre Laval the means of countering Germany) to explain that Britain could not and would not extend her known European commitments.

By this time a new outlook on world affairs was beginning to

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grip the British public. It was dawning on them that Nazi Germany might well become a serious menace to the new peace structure at Geneva, even though the League enthusiasts did not doubt that the collective security machine would prove fully able to cope with any situation which might develop. Ramsay MacDonald laid down the Premiership in favor of Stanley Baldwin; Sir Samuel Hoare succeeded Sir John Simon as Foreign Secretary. Anthony Eden, promoted to Cabinet rank, became "Minister for League of Nations Affairs." Known to all Europe as the personification of Young England, his was to be the honor of leading the brave new world into battle, if need be, to defend the sanctity of treaties and to prove that aggression does not pay.

Almost immediately there followed the Eden mission to Rome, designed to promote a compromise between Mussolini and Haile Selassie which would avert the invasion clearly threatening.

So far Eden had been wonderfully successful in achieving international settlements where the prospects appeared dark and forbidding. Tenacity of purpose, great patience in negotiation and firmness of attitude were the outstanding features of the more mature character which had developed at 38. Moreover, at the time of his negotiations in Geneva the authority of Britain still stood high among the European states. To her League representative there was accorded an appropriate deference and a large proportion of flattery by representatives of other states anxious to enlist her support for their special causes. Nor was it all deference and flattery. Anxious to secure their own safety, the smaller states (and some of the greater, too) had one main object in those days: namely, to stabilize the European situation by obtaining more precise commitments from Britain. Listening to their arguments, it was impossible not to be impressed that what they said was true; and Anthony Eden necessarily listened to very many of them. The British Cabinet, sitting in London, was not exposed to the same persuasive influences. Most of its members had a very rudimentary grasp of European affairs, and all were more or less animated by a profound conviction that British interests on the Continent did not extend much beyond the Low Countries. So it was to come about that Eden, born of the generation which believed in the League, personally popular among European statesmen, exposed at Geneva to the forces just mentioned, and anxious to exemplify the vigor and purposefulness of his country, found himself frequently in conflict with the Cabinet.

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None the less, it was obvious that Eden had a great following in the country, was rapidly becoming something of a popular hero and, as a result, could hardly fail to arouse a sense of jealousy in the breasts of certain other ambitious politicians. This jealousy may, in part, have accounted for his hurried dispatch to Rome with an ill-conceived offer which, on the face of it, could stand little chance of acceptance by a determined realist like Mussolini. It certainly was responsible for the fact that the whole proposal, supposed to be regarded as a close secret, by the London Cabinet was published in full in a London Sunday paper while Eden was hastening south in the Rome Express. The encounter with Mussolini was a disastrous failure and left behind, in the minds of both men, a sense of antagonism, destined to grow to major proportions in the months and years to come. For Eden himself it was the first failure.

When the Italian troops marched into Abyssinia, it was the British Cabinet as a whole that took the decision to press for the application of League sanctions. Growing nervousness about Germany, apart from domestic electoral considerations, made it essential to test out the collective machine. And if it proved wanting, as many British Ministers believed that it would, better that the country and the world as a whole should know the truth then, rather than wait to know it when the ultimate major aggressor issued his challenge. Thus it was Sir Samuel Hoare who at Geneva made the British declaration which electrified the Assembly. But it was Eden who was left behind for six long weeks, urging, cajoling and insisting on the details which were to make sanctions effective. Once again he was in the limelight as the hundred percent League of Nations man. Had Italy been checked, his would have been the triumph. But in the other event, it was bound to be said that his was the policy which had failed. In either case he was certain to be stigmatized by Italy as her one implacable British enemy.

During all the difficult months that followed, Anthony Eden leaned heavily on the support and counsel of Neville Chamberlain. Stanley Baldwin, a Premier who disliked detail and decisions, and made no pretense of being a student of foreign affairs, was of little help to his budding young Foreign Secretary. It resulted that every Foreign Office problem had to be brought before the full Cabinet, and here it was essential for Eden to have the backing of a senior Minister. Neville Chamberlain, in whom

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the strain of British idealism was unsuspectedly strong — and who also perhaps foresaw the future electoral value of Eden — proved a true friend. To him Eden became accustomed to take his special problems. When, a little later, Eden succeeded to the Foreign Secretaryship on the resignation of Sir Samuel Hoare, this support from Chamberlain, then clearly marked as the coming Premier, became of even greater value.

There are those who insist that Eden should have resigned at the same time as Hoare. He had, indeed, signed the telegrams intended to facilitate passage of the ill-fated Hoare-Laval plan for ending the Abyssinian war and was, to that extent, identified with the policy of his Foreign Office chief. But it is clear that he was also wholly out of sympathy with the Hoare-Laval policy — as an act of sabotage against the League — and he made no attempt to conceal the fact. To the Baldwin Government, deeply committed in the British public mind to enforcement of League authority, the acceptance of the Hoare-Laval plan appeared politically impossible, just as the retention of Mr. Eden and the stout support of his policy appeared politically inevitable — at least for the moment. This was not to say that the Cabinet was united; indeed, many divergent views were forming, as is unavoidable in a coalition government. Moreover, the simple truths about collective security — the hard fact that countries will not risk going to war save in defense of their own vital interests — were beginning to become clear. When a little later Mr. Eden advocated imposing an oil embargo against Italy — a sanction which must almost certainly have evoked military retaliation — the British Cabinet very firmly said No.

We may pass briefly over the next period in which Eden, knowing the difficulty of his position, mainly contented himself with representing a choice of courses to his colleagues, leaving to them the task of adopting one or another. It was an unsatisfactory position; but in the declining months of the Baldwin régime no other seemed possible. Further, Eden suffered from the disadvantage — in Britain a very real one — that he was such a very young man, in personality as in years, trying to carry along with him a group of men much older than himself. As the clouds piled up on the European horizon, those older men, unconsciously perhaps, became obsessed by the idea that the dangers must be deferred and by no means challenged. The younger men, of whom Eden was one, believed that the dangers would be averted only if

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Britain showed her teeth. In urging that view Eden was voicing the growing feeling of a great section of British public opinion. Alas, the teeth were not there. Thus we see him seeking to conduct a strong foreign policy, but lacking the force to back it up. He was alive to the difficulties of the situation and tried hard to hold the forward position while awaiting the slow coming of reinforcements.

Throughout those difficult days, which saw the collapse of sanctions, the outbreak of war in Spain, the Italian challenge to Britain in the Mediterranean, the Japanese challenge to western interests in the Far East, the German challenge in Europe, Neville Chamberlain continued to support his brother's young protégé. Watching how matters were drifting in the Cabinet, supplying the money from the Treasury for an increasing expenditure on armaments, he was planning the line of foreign policy he would direct when shortly he would become head of the British Government. As advocate and chief executant, Eden was to play an important part in his scheme. But the policy was to be Chamberlain's own. It would be framed in constant consultation with the Foreign Secretary and without too frequent reference to the whole Cabinet. Only on matters of major importance would the Premier take a hand in the conduct of affairs. But having seen how Britain was handicapped by the slow working machinery of democratic government when called upon to meet or counter sudden moves by the dictatorship states, Chamberlain was determined to concentrate greater powers of action in his own hands.

With such an object in mind, he thought it would be a convenience to have a young, able and popular Minister at the Foreign Office, one already tied to him by bonds of personal respect and affection. Probably the same thought inspired the appointments of two other young men to the War Office and the Admiralty — Hore-Belisha and Duff Cooper. Another old friend, Cunliffe-Lister, now Lord Swinton, was at the Air Ministry. With Simon at the Treasury, the Prime Minister would be able to retain his control over all important questions of finance.

For a time it appeared that the conduct of foreign policy under the Chamberlain régime would work satisfactorily. Eden was well pleased with the arrangement. Eden took his problems straight to the Premier, got swift decisions and issued his instructions accordingly. But the Premier's urge to take new initiatives abroad began

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to assert itself comparatively early. And the object of his advances was Italy, where Eden had no rival in the popular and official mind as Public Enemy No. 1. In the August holiday of 1937, Mr. Chamberlain wrote his first personal letter, in most friendly terms, to Signor Mussolini. The rest of the story is too fresh in mind to call for close study. Little by little we see the growing impatience of Chamberlain to get away from old inhibitions and to discover whether, by frank and friendly approach, it might not be possible to remove old enmities and to establish new confidences. To him it appeared, and still appears, that failure to follow this course could have but one alternative — war, sooner or later.

In pursuit of his idea Mr. Chamberlain did not care how many snubs he might receive. He considered it was his duty to accept such reverses blandly and to renew the effort at the earliest opportunity. Eden, brought up in the Foreign Office tradition, could not concede that such methods were calculated to achieve the desired results. He considered that to run after the dictators was the best way to convince them that Britain was frightened and unlikely to offer any effective opposition to the realization of their aims. Further, his constant contacts with foreign statesmen led him to believe that Britain's dwindling circle of friends and admirers would become still smaller through a similar process of reasoning. Confident that he was right, and supported by his permanent advisers, he endeavored to hold to his line. The Premier, no less confident of his own rightness and certainly no less obstinate, pressed on independently. Soon it became apparent that British foreign policy had a dual direction, one flow coming from the Foreign Office, the other from No. 10 Downing Street. A clash was inevitable.

The final parting might have come on any one of many issues. Had it not reached a head on the acceptance of Mussolini's peremptory demand that Britain should come to Rome and talk peace "now or never," it would have done so on some other matter. It might have been on the dispatch of Lord Halifax to Berlin, or on some question of making a demonstration of naval strength at a point where British interests were being menaced. The fundamental clash was as to which of two men should conduct the nation's foreign policy, Premier or Foreign Secretary. In such circumstances the junior is left no choice if his convictions are strong. Eden took his decision calmly. His friends in the Cabinet

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regretted his going, but conceded that a parting of the ways was unavoidable. They concluded that Mr. Baldwin had done him a great disservice by promoting him to the Foreign Secretaryship too early in his political career.

Among the older Ministers there was no little dismay. They felt that they had lost an important electoral asset. As a free-lance on the back benches and in the constituencies, Anthony Eden might, if he chose, become a positive danger. They tried to persuade him to return to the fold — once the little Italian matter was out of the way. Although Mr. Chamberlain has had his success in Rome, these appeals have not ceased. Mr. Eden has remained uninterested. He is enjoying his freedom and apparently plans to take an active part in rallying the youth of Britain to face whatever struggle may lie ahead. As these lines are written, it is too early to say whether his future plans will lead him into actual collaboration with other accepted political leaders of public thought, such as Winston Churchill. Probably he is destined to remain out of office for some time to come. He is not likely to accept any new appointment in a Chamberlain government. But it is inevitable that he will "come again," if only because he is the natural representative of a generation into whose hands control of public affairs must necessarily pass with the normal march of time. Besides, he enjoys the personal backing of Lord Baldwin, still in his retirement a powerful figure in British Conservative circles. Lord Baldwin has rewritten his former political testament, which named Sir Samuel Hoare as next Conservative leader after Neville Chamberlain. The name of Hoare has been erased and that of Anthony Eden has been substituted.

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# BOLIVIA'S CLAUSTROPHOBIA

*By Ronald Stuart Kain*

BOLIVIA'S position in South America is unique. Geographically, she is almost in the center of the continent. Politically, she occupies a strategic situation as the only country bordering on all four of the so-called "ABCP Powers" — Argentina, Brazil, Chile and Peru. These larger nations are therefore vitally interested in Bolivia's political activities and in her economic development. But unfortunately for Bolivia — and for the peace of South America — she is a landlocked country under a constant fear of economic strangulation by her more powerful neighbors. This fear has several times within the last century led to wars or threats of war. The recent conflict in the Chaco (where a definite peace settlement has not yet been reached) was directly caused by Bolivia's search for a port on deep water. Having failed to obtain such an outlet by war, she has now turned to the peaceful negotiation of economic agreements with her four large neighbors in order to remove the political and physical barriers to her foreign trade. On the success of this policy depends in no small measure the preservation of peace in South America.

Except for Tibet there probably is no country in the world where trade is more impeded by geographical obstacles than in Bolivia. The Bolivian plateau averages 12,000 feet in altitude and is walled in on all sides by the two principal ranges of the Andean Cordillera, varying in height from 20,000 to 24,000 feet. The lowest passes through these barriers are between 12,000 and 14,000 feet high. The cost of constructing railways and modern highways over these tremendous ranges is prohibitive for a country of Bolivia's limited financial resources. Consequently, the four railway lines which were built during the last half century to link the plateau with the Pacific and with Argentina were financed by foreign capital.

Lack of more such capital has so far prevented similar success in surmounting the mountains that wall off the tableland from the tropical lowlands to the east. Though the eastern part of Bolivia contains only one-fourth of her population, it represents three-fifths of her area. It is capable of producing in abundance the cereals, meat, cotton, leather, timber and petroleum that the cities and mining camps of the plateau have long had to import

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from abroad. But until recently the intervening mountains barred all commerce except that carried by pack animals. During and after the Chaco War several rough roads were built down from the plateau, but they do not provide good transport facilities. The republic can never realize its full economic potentialities, nor can it achieve complete political unity, until its highland and lowland parts have been effectively joined together.

Eastern Bolivia also lacks foreign outlets for its products. Until such outlets are arranged, the immense store of natural wealth in this vast region will lie dormant. At present it is cut off from the outside world except for one airline, the partly navigable branches of the Madeira River, and two mediocre roads out of Santa Cruz de la Sierra (one running to Yacuiba on the Argentine boundary and the other east to the Paraguay River).

II

At the time of its birth in 1825 the Bolivian Republic had access to the Pacific through its own territory. This outlet was, however, an unnatural one across the Desert of Atacama. Bolivar and Sucre, liberators of Bolivia, had sought to obtain for her a suitable seaport by negotiating for the purchase of Arica from Peru. Arica was, and still is, the natural port for the Bolivian plateau. But Peru refused to sell it. Bolivia therefore entered upon her national career with her existence dependent on the goodwill of her neighbors. At first this sense of incompleteness and frustration was not acute. But as time went on her territory suffered restriction through successive encroachments by the adjoining republics.

With each of these setbacks Bolivia's resentment against her neighbors grew deeper. In the War of the Pacific (1879–84), Chile seized not only Bolivia's coastal province of Atacama — with its port of Antofagasta, its valuable guano deposits and its rich nitrate fields — but also the adjacent Peruvian provinces of Tarapacá, Tacna and Arica. The Chilean annexation of Arica was scarcely less of a blow to Bolivia than the loss of Atacama; whereas Peru had placed few restrictions upon the use of that port by Bolivian Commerce, Chile at once imposed her regular tariff dues on goods in transit. The Bolivians, who never ceased to dream of possessing Arica, in 1891 sided with Argentina in a boundary dispute between that country and Chile. In return Argentina promised to help Bolivia secure a Pacific outlet. This

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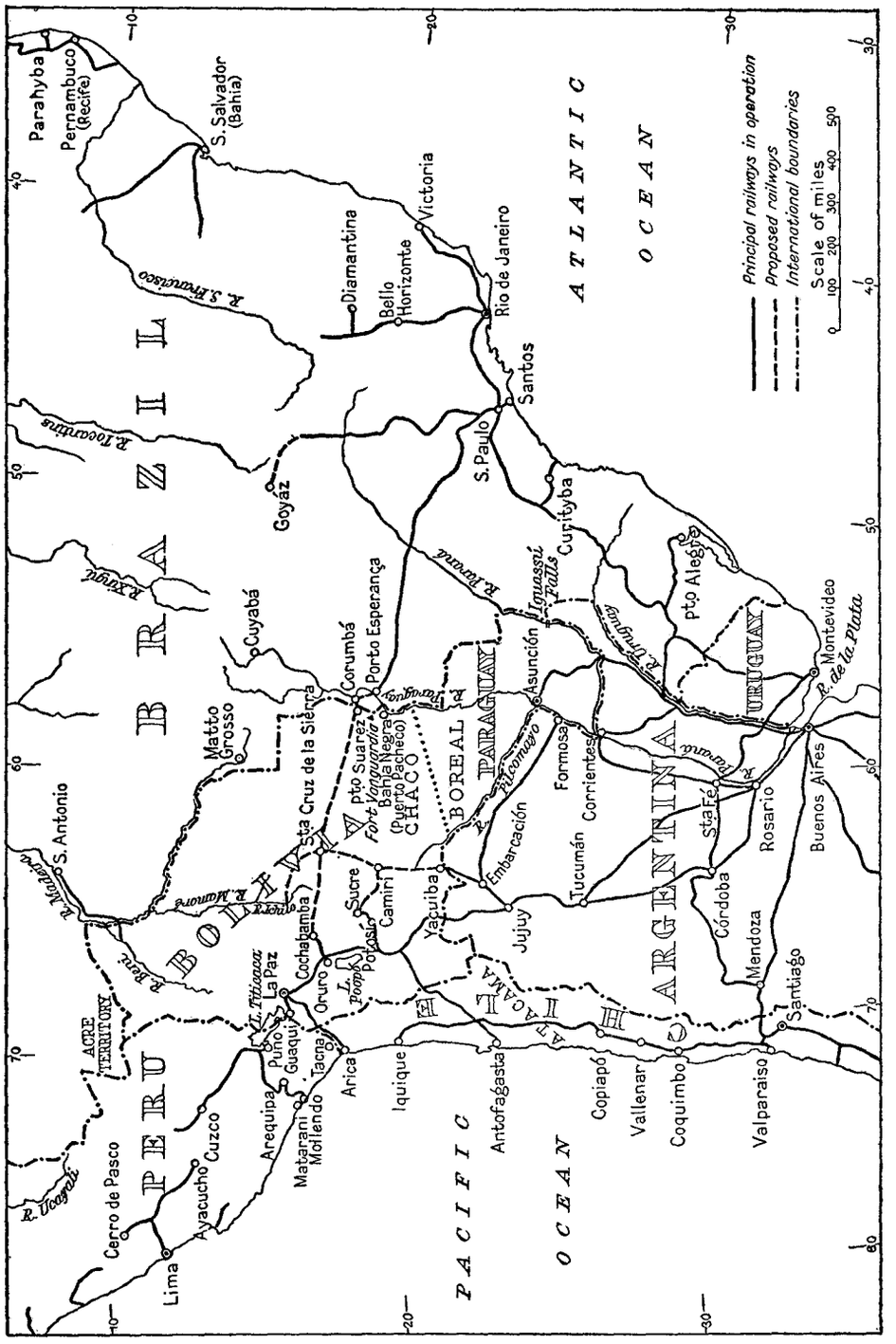


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induced Chile in 1895 formally to recognize Bolivia's right to such a port. But Chile's fear of Argentine intervention on Bolivia's behalf was removed with the settlement of the Argentine-Chilean boundary dispute in 1902. Chile therefore fulfilled her promise to Bolivia only in part: in return for the latter's surrender of all claims to Atacama Province, Chile agreed to build a railway from Arica to La Paz and to give Bolivia port and customs privileges at Arica. The Bolivian section of this railway, not completed until 1913, passed within the possession of the Bolivian Government in 1928.

Though the Arica-La Paz railway was a boon to Bolivia, it did not reconcile her to territorial exclusion from the Pacific, for her foreign trade continued to suffer from numerous annoying interferences. Moreover, as long as all Bolivian commercial outlets remained in foreign hands, there was always the danger that her foreign trade would be obstructed, or even completely suspended, during disputes with neighboring countries. This danger proved only too real at the time of the Chaco War. Argentine neutrality laws prevented Bolivia from importing arms and munitions through Argentine territory, thereby placing her at a great disadvantage and undoubtedly contributing to her defeat. Had Chile and Peru applied an embargo, as Chile at first threatened to do, they might have kept the Chaco conflict from breaking out, or at any rate have insured Bolivia's defeat long before the war had run its sanguinary three-year course. Both, however, decided to allow Bolivia to receive arms, even after Brazil, the United States and most of the League states had imposed embargoes on munitions shipments to the belligerents. For neither Chile nor Peru desired to goad Bolivia into seeking revenge at some other more opportune time. On the contrary, the Chileans wanted Bolivia to win the war in order to divert her expansive energies toward the east, where she would stand in the path of Argentina, Chile's chief rival and Paraguay's unofficial ally.

In 1920 Bolivia formally placed her demand for a Pacific port before the first Assembly of the League of Nations. When the League refused to act, Bolivia sought the aid of the United States. In 1926 Secretary of State Kellogg proposed the cession of Arica to Bolivia, or else its neutralization, as part of his suggested solution of the Tacna-Arica dispute between Chile and Peru. Again Bolivia's hopes were shattered: the final settlement of the dispute

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in 1929 confirmed Chile's possession of Arica and Bolivia's total exclusion from the Pacific.

III

For more than a century Bolivia had been attempting to develop trade outlets on the Paraguay and Madeira Rivers. But these efforts had repeatedly been balked by political obstacles erected by Brazil, Argentina and Paraguay. By 1889 Bolivia had been forced to give up hope of obtaining a satisfactory outlet from the first two of these neighbors. Her only chance to secure her own port on deep water therefore lay in getting Paraguay to recognize her claims to the Chaco Boreal. In 1879, 1887 and 1894 Bolivia negotiated boundary treaties dividing this territory with Paraguay. Each treaty gave Bolivia access to the Paraguay River at, or to the south of, Bahía Negra. But none of them was ever ratified, and Paraguay proceeded to impose her military control over a gradually expanding zone of the Chaco territory. About 1877 the Bolivians established Puerto Suárez on a lagoon of the Upper Paraguay, opposite Corumbá, Brazil. But Puerto Suárez soon proved unsatisfactory, and in 1885 they therefore founded Puerto Pacheco, at Bahía Negra, on territory claimed by Paraguay. Three years later Paraguay took forcible possession of Puerto Pacheco.

In 1903 the Bolivian Government made another attempt to gain a suitable outlet in this direction. In that year it obtained from Brazil a small piece of territory on the Paraguay River north of Bahía Negra. Brazil also promised to build a railroad around the cataracts of the Madeira and Mamoré Rivers, in order to give northeastern Bolivia an improved though Brazilian-controlled outlet via the Amazon. Paraguay, however, disputed the Bolivian title to the territory ceded by Brazil along the Paraguay River. When the Bolivians attempted to explore a new route to the river through that region in 1928 their advance post at Vanguardia was destroyed by Paraguayan troops. War was averted only through the intervention of neutral American governments and of the League. Thus Bolivia was barred from the Paraguay River at all points where there was any possibility of creating a satisfactory port.

At about the same time Bolivia's hopes of obtaining substantial royalties from the Standard Oil Company's newly opened oil wells west of the Chaco were dashed by Argentina. The natural out-

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let for this oil was by railway or pipeline from Yacuiba across northern Argentina to Formosa on the Paraguay. But the Argentine Government refused to permit either the construction of a pipeline or the tariff-free transit of Bolivian petroleum across its territory. As the high-cost Bolivian oil could not surmount the Argentine tariff, Standard Oil was obliged to cap most of its wells.

This long series of frustrations naturally heightened Bolivia's fear of commercial strangulation. It dictated her opportunistic foreign policy and strongly influenced the course of her internal politics. It made her the friend of Paraguay against Argentina, Brazil and Uruguay in the terrible War of the Triple Alliance (1865–70). It helped to align her with Peru against Chile during the War of the Pacific (1879–84), and closely involved her in the long and bitter dispute between Chile and Peru over Tacna and Arica. It produced the treaty of alliance with Argentina against Chile in 1891. It brought her to the verge of war with Brazil over Acre Territory in 1899–1903 and with Peru over land along the Ucayali River in 1909–10. Intensified by the Vanguardia clash and by her final exclusion from the Pacific in 1929, this "claustrophobia" complex pushed Bolivia into the ruinous Chaco War in 1932.

President Salamanca, in his message to the Bolivian Congress at the outbreak of that war, referred to the fact that the Argentine tariff prevented his government from obtaining much-needed revenues from Bolivia's petroleum deposits. "The natural and logical remedy," he said, "would be to build a pipeline to the Paraguay River.[1] But there we are faced with the Republic of Paraguay, holding Bolivian territory, who also bars the passage. Bolivia cannot consent to live in poverty isolated from the world; she must strive after such conditions as will enable her to live her life to the full." The Bolivians entered the war confident of their German-trained army's ability to advance down the valley of the Pilcomayo and enforce Bolivia's claim to a port on the lower Paraguay. But again they were bitterly disappointed. The Paraguayans drove the Bolivian army back into the foothills of the Andes. There they cut the Yacuiba-Santa Cruz highway, thus closing eastern Bolivia's chief commercial outlet. The efforts of the Chaco Peace Conference to induce the Paraguayan army to relax its grip on this vital artery have not yet succeeded.

[1] This opinion was not concurred in by Standard Oil engineers, who after a survey reported to the company that a pipeline across the Chaco Boreal to the Paraguay River was not feasible.

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IV

Defeated in the Chaco, Bolivia had to reconsider the previously rejected proposals of Argentina and Brazil for developing new trade routes through their territories. She therefore took advantage of the rivalries between the ABCP nations to secure important concessions. Under the auspices of the Chaco Peace Conference, she concluded bilateral agreements with those four Powers setting up mixed commissions of experts to recommend means for developing economic intercourse between them.

In the latter part of 1937 the Bolivian-Chilean commission submitted numerous draft conventions to the two governments. The most important stipulates that the "free transit" accorded by Chile to persons and goods going to and from Bolivia should cover "every class of cargo and at all times, without any exception," a clause confirming Bolivia's right, previously contested by Chile, to import arms and munitions without hindrance. Other recommendations call for the creation of a mixed Bolivian-Chilean commission to regulate the operation of the Arica-La Paz railway, for the elimination of the high Chilean visa fee for persons in transit to or from Bolivia, for joint measures to prevent smuggling, etc. In return for these concessions, Bolivia is to lower her tariffs on imports from Chile and afford the latter's capital certain advantages. By facilitating Bolivian commerce through Arica and Antofagasta, Chile insures the prosperity of her own trade with the plateau regardless of whatever alternative routes Bolivia may open up through Brazil and Argentina. The Chileans also hope, though not too confidently, that these accords will reduce Bolivia's yearning for a Pacific port of her own.

Peru, anxious to strengthen Mollendo's competitive position, has offered Bolivia concessions similar to those in the draft Bolivian-Chilean conventions. On December 15, 1937, the Peruvian-Bolivian mixed commission signed twenty-four draft agreements, among them: a transit convention duplicating Chile's guarantee of unobstructed passage for all classes of goods in transit to or from Bolivia; a convention simplifying traffic regulations on Lake Titicaca; a highway convention providing for construction of several roads, including the Peruvian-Bolivian sections of the Pan American Highway; an air navigation pact, joining the Bolivian and Peruvian civil airlines; conventions on economic and financial and on technical and industrial coöpera-

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tion; and an agreement for a new commercial treaty. Also designed to strengthen Peru's position in Bolivia's trade is the construction of a new port at Matarani to replace Mollendo as the Pacific terminus of the Southern Railway of Peru. Matarani is on a well-sheltered bay, whereas Mollendo is an open roadstead.

V

On September 30, 1937, the mixed commission of experts representing Bolivia and Brazil recommended the construction of the following railways: (1) a line extending the state-owned Brazilian Northwestern Railroad from Porto Esperança (on the upper Paraguay River) to Corumbá, a project already authorized by the Brazilian Government; (2) a line from Santa Cruz de la Sierra to a point on the Porto Esperança-Corumbá line; (3) a line from Santa Cruz southward to Camiri, site of the Standard Oil refinery; (4) a line from Camiri to Sucre on the plateau; (5) completion of the Cochabamba-Santa Cruz railroad, started in 1928 with an American loan; and (6) a line uniting Santa Cruz with a port on the Ichilo River. It recommended that Brazil help finance certain of these lines in order to bring them to early completion. In February 1938 the two governments agreed to carry out these railway projects. Bolivia was granted the right to use Porto Esperança as her own port. They also signed a treaty for joint Bolivian-Brazilian exploitation of Bolivia's oil deposits.

These projected railways will open up a large market in Brazil for Bolivian petroleum. They will also give Bolivia's other exports an oceanic outlet through Santos or via the Paraguay-Paraná river system. In return, Brazil will secure a potentially important market for her rapidly growing manufactures and an overland source of petroleum products which would be useful in the event that her overseas imports were cut off. Moreover, the completion of the Cochabamba-Corumbá line will afford direct transcontinental railway connections across Bolivia between Santos and Arica, a distance of 2,735 miles. This route will reduce by about three days the time now required to travel by train between these two points by way of Argentina. The railway to the Ichilo River will give eastern Bolivia an improved outlet via the Amazon.

Brazil is also improving her transportation facilities on the internationalized Rio de la Plata waterways. Port improvements are being made at Corumbá. The recently nationalized Lloyd Brasileiro, Brazil's principal shipping concern, is building several

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new steamers for service on the Paraguay-Paraná River. The Bolivian airline connecting La Paz and Santa Cruz with Puerto Suárez was extended to Rio de Janeiro in January 1936. By means of these railway, steamship and air services, as well as by her highways, Brazil is seeking to divert to her own ports the commerce of the upper Plata basin, now flowing in ever-increasing volume through Argentina. The Paraguayan Government has announced that it will construct a 250-mile paved highway from Asunción to the Brazilian frontier at the Iguassu Falls, whence there is a highway to Curityba. This road will give Paraguay her first direct overland contact with the Atlantic.

Brazil's ambitious plans in this area collide directly with those of Argentina. For, as Foreign Minister Saavedra Lamas declared before the Argentine Senate in 1932, his government aims at reconstructing the economic unity of the old Viceroyalty of La Plata, which in Spanish days governed the territories now forming Argentina, Uruguay, Paraguay and most of Bolivia. Two Argentine-Bolivian conventions signed September 17, 1937, represent carefully calculated moves in this direction. One removed many of the impediments to trade between the two countries, while the other established a mixed technical commission to investigate the possibilities of a railroad running from the railhead of the state-owned North Central Railway of Argentina near Yacuiba to Santa Cruz, with a branch to Sucre via the Camiri oil wells and refinery.[2] If the project is declared feasible, the Yacuiba-Camiri section is to be built at once. The preliminary engineering studies are being financed by Bolivia and directed by the Argentine State Railways. This much-desired line would traverse the heart of the Bolivian oil zone. It would also tap a potentially rich farming, mining, lumbering and stock-raising region and divert to Argentina much of the commerce that Brazil hopes to capture with the Santa Cruz-Corumbá railway.

The outcome of the Chaco War made Argentine coöperation more than ever essential in the development of eastern Bolivia's oil reserves. Argentina had refused to permit tariff-free transit of Bolivian oil through her territory, chiefly because of the hostility between Standard Oil and the Argentine state petroleum enterprise, both competitors in the Argentine market. But in

[2] The Bolivian Government has itself commenced work on a Sucre-Camiri railway: fifty miles were reported to be under construction at the beginning of 1938. But there is little prospect that Bolivia's war-strained finances will permit the completion and equipment of the entire line.

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March 1937 this obstacle disappeared when all Standard Oil properties in Bolivia were confiscated by the government. Bolivia was then able to offer Argentina a share in the exploitation of her oil resources in return for tariff concessions. Accordingly, in an agreement signed November 19, 1937, Bolivia was guaranteed tariff-free transit of her petroleum across Argentina on the Argentine State Railways — a privilege which is to terminate if the Bolivian oil fields again come under private control.[3]

These agreements give Bolivia important diplomatic as well as economic advantages. Since it is now to Argentina's interest that the Paraguayan hold on the Yacuiba-Santa Cruz highway be broken, she may support Bolivia in the Chaco negotiations still proceeding in Buenos Aires. In any case, the economic and political relationship between Argentina and Paraguay will very likely be less intimate in the future. After all, Bolivia has much greater natural resources than Paraguay. Though Bolivia lost the Chaco conflict in a military sense, she certainly won it from the economic point of view. For Paraguay, in addition to losing her opportunity to share in the development of eastern Bolivia, ended the war in a state of financial prostration, with her army rent by factionalism, her man-power seriously depleted, and without those mineral riches which assure Bolivia's rapid recovery. Moreover, Bolivia's new railways, when completed, will greatly improve the country's strategic position in the event of another Chaco War.

If Paraguay loses Argentine support in the Chaco controversy, she is certain to seek more intimate relations with Brazil. But Brazil is not likely to risk the valuable position open to her in eastern Bolivia for such inducements as Paraguay has to offer.

This series of economic agreements will, of course, serve to sharpen the rivalry among Bolivia's neighbors for preferential positions in exploiting her market and natural resources. The emergence of eastern Bolivia as a productive area will add a new and important element to South America's economic life. Furthermore, the struggle between Argentina and Brazil to canalize the trade of that rich region across their own territories portends a realignment of South American political forces. This trend, already perceptible in the rapprochement of Bolivia and Argentina, lends added significance to the current armament race among the ABCP Powers.

[3] The Standard Oil Company's suit to recover its confiscated properties is still pending before the Bolivian Supreme Court.

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# FEUDAL AGRARIANISM IN HUNGARY

*By Oscar Jászi*

SOME thirty years ago, in a heated debate before the Sociological Society of Budapest (sometimes called the Hungarian Fabians), this writer spoke of the fundamental sickness of Hungary and called it *morbus latifundii*. The expression became a slogan for all those who realized that the millenary feudal structure of the country, the domination by the large estates, was undermining its economic and cultural foundations and would help bring the tension of the unsolved nationality problems to the breaking point. In the last decade before the World War this diagnosis was also accepted by some influential political and military persons close to Archduke Franz Ferdinand, who regarded the anachronistic structure of Hungary as incompatible with their plan to reorganize the Dual Monarchy on a more equitable, federal basis.

But all efforts to carry out an electoral reform — the prerequisite to an agrarian and constitutional transformation — were unsuccessful. The power of the *latifundia* and the political monopoly of the nobility successfully sabotaged all such endeavors. Those in power were perfectly aware that universal suffrage would mean the end of the feudal system. Only the military defeat and the dismemberment of the Monarchy were able to introduce an abrupt change for a few months, when Count Michael Károlyi's government proclaimed universal suffrage and the division of the large estates. Even so, partly from lack of time and partly from the anarchistic conditions resulting from the dismemberment of the country, these long-awaited reforms remained on paper. Meanwhile the Bolshevik experiment swept away the democratic government, and Béla Kun in his narrow-minded Marxian dogmatism stopped the redistribution of the estates. Under the theory of preparing for *kolkhozi* the Bolshevik leader saved the old agricultural system.

By shrewd manipulation Count Stephan Bethlen was able during the next decade to abolish democratized suffrage, to make an end of the first beginnings of a peasant party, and to create an administrative mechanism by which he could control the elections according to the old feudal pattern. This new feudalism, however, was not identical with the old. The revolutionary upheavals brought to prominence several strong Fascist groups among the lower middle class, which, generally under the leadership of dissatisfied army officers, have acquired more and more political power. A compromise was established: the agrarian reform was emasculated and the feudal aristocracy retained their economic monopolies, while the political life of the country became the booty of the new Fascist elements. This trend culminated in the régime of Gömbös, to whom the saying was attributed: "No Counts, no Jews, no Peasants."

Thus the traditional feudal structure was preserved in Hungary at a time when far-reaching agrarian reforms were being carried out in the surrounding countries. Yet Hungary has given the impression of being the quietest state in the Danube Basin. This apparent calm, however, does not mean that underlying ills are cured, but simply indicates that a powerful administrative machine and effective gendarmerie make any rebellion by the agrarian proletariat impossible.

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For a time it looked as if even ideological protests against the ruling system had been discredited. But the traditional wounds of the country were still there, and they soon began to bleed again, partly because of the stopping of emigration to America, partly because of the "agrarian scissors" which put the living standard of the people on a starvation level. This situation saw the emergence of a vast, jobless intelligentsia. The semi-starved general population could not pay for the services of doctors, teachers, writers and social workers. Under this pressure, even the Fascist organizations became imbued with a good deal of confused, sentimental populism.

But within the last few years an intellectual movement of very great importance has come to the fore, participated in by some of the best writers, poets and politicians of the younger generation. It is a passionate movement for the liberation of the abandoned small peasantry and agricultural proletariat. The fact that most of its representatives are immediate descendants of the racially purest classes of the country gives their struggle additional momentum. Although they do not yet form a united political party, many of them like to call themselves the "March Front" (an allusion to the revolution of 1848) and all agree in their conviction that without the liquidation of the feudal system there is no hope for Hungary. They have produced an astonishingly large, many-sided and enthusiastic literature, which is worthy of careful consideration even from an international point of view. In these brief notes I can refer only to the most influential works, all of them published in Budapest within the last two years.[1]

This literature can best be characterized as the expression of Hungarian *narodniki*, because it has a striking resemblance to the more moderate wing of those Russian agrarian socialists who "went to the people" in the second half of the ninteenth century in order to rebuild the corrupt old Tsarist structure on a popular basis. They regarded the Russian peasantry as the only source of salvation in a society where there was no conscious bourgeois class or enlightened intelligentsia. They resented the dogmatic formulæ of Marxian Socialism and protested against the application of its principles to the rural population. Race, soil and the anti-capitalistic traditions of Russia's genuinely popular forces were preponderant factors in the formulation of their doctrine.

The characteristic attitude of the Hungarian *narodniki* is similar. All of them believe in the Messianic rôle of the Hungarian peasantry. Their whole literature is a flaming protest against existing conditions. It emphasizes that 1,232 large estates (over 1,400 acres), representing 0.1 percent of the total number of separate agricultural holdings, cover 30 percent of all the land. The average

[1] "A Magyar Nemzet Öszinte Története" ("A Sincere History of the Hungarian Nation"), by O. Málnási. "Puszták Népe" ("The People of the Pusztas"), by G. Illyés. "A Néma Forradalom" ("The Silent Revolution), by I. Kovács. "A Viharsarok" ("The Tempest Corner"), by G. Féja. "Uj Élet A Magyar Földön" ("New Life on the Hungarian Soil"), by M. Matolcsy. "A Tardi Helyzet" ("Situation at Tard"), by Z. Szabó. "Futóhomok" ("Flying Sand"), by F. Erdei. "Számadás" ("My Account"), by P. Veres. "Egy Veszedelmes Nép" ("A Dangerous People"), by L. Lipták. "A Naposabb Oldalon" ("On the More Sunny Side"), by A. Németh. "A Legnagyobb Magyar Falu" ("The Biggest Hungarian Village"), by J. Darvas. "Parasztságunk Élete" ("The Life of Our Peasantry"), by G. Ortutay. "A Viharsarok A Bíróság Elott" ("The Tempest Corner before the Court"). Edited by the "March Front." "A Néma Forradalom A Bíróság Es A Parlament Elött" ("The Silent Revolution before the Court and Parliament"). Edited by the Brotherhood of Service and Writing.

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size of a large estate is 5,613 acres. The 1,142,294 small properties (under seven acres), representing 71.5 percent of all agricultural holdings, cover an area of 2,486,838 acres, *i.e.* 11 percent of all the land. A small proprietor has an average holding of 2.13 acres. Forty percent of the agricultural population has no landed property at all; and if one adds to this number the category of small proprietors mentioned above, who cannot live on their minute lots but eke out a starvation wage as occasional workers on the large estates, one reaches a figure of around 3,500,000 out of an agrarian population of about 4,500,000. That is to say, almost 80 percent of the total agrarian population live on the outer fringe of proletarian existence. This situation has given rise to the oft-repeated expression — "the three million beggars of Hungary."

The Hungarian *narodniki* further assert that the agrarian reform instituted by the counter-revolution was a farce which did not really alter the existing situation. The statement is not exaggerated. Some of the great latifundists were even successful in expanding their dominions. Julius Illyés, the greatest living poet of Hungary, has calculated that the maximum yearly income (including the money value of the farm produce received in fixed quantity) of a peasant family living in the wretched barracks of the landowner and working daily from three in the morning until nine at night, amounts to from 350 to 400 pengös, *i.e.* $70 or $80. This means that for each member of a normal family there is a daily budget of five cents. Though the buying power of five cents in agricultural products is considerably higher in Hungary than in the United States, that nevertheless represents a level of slow starvation. And many sections of the agricultural proletariat do not even attain this plane of living.

The picture is so dark that the present writer has not found anything comparable to it, even in the gloomiest descriptions of Tsarist Russia. Everywhere there are degrading housing conditions, an entire lack of sanitary conveniences, over-crowded single rooms, emaciated children who have lost their instinct for play. There is no birth-control propaganda, yet the "single child" (*egyke*) principle has been widely adopted. Criminal abortions are carried out by utterly ignorant peasant women. The struggle for existence has become so severe that there have been many cases of arsenic poisoning of old people.

The books I have mentioned reveal how so terrible a system is able to continue. Among the contributing factors are: severe administrative pressure on the population; various devices (*e.g.* "theoretical communities" — *eszmei község*) by which the landed aristocracy acquires an almost mediæval exemption from central authority; the hiring of seasonal workers from remote regions by paid agents of the estates (*banda-gazda*) so that the disappointed wage-earners do not get local support for their occasional protests; the so-called "front-fighters" (*élharcos*), agents of the administration, who control all social activities of the peasants and denounce their "anti-social thinking;" clearing of villages by armed force when the clashing interests of the tenants cannot be otherwise appeased; both legal and illegal exclusion of the agricultural masses from the electoral lists; frustration of free elections by means of open voting, and if necessary by imprisonment and physical brutality. Even the new literature, though not of a propagandistic nature, is beginning to be persecuted. The authors of the two most outstanding books, Messrs. Féja and Kovács, were accused of having calumniated the nation and excited class hatred. Their

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condemnation to imprisonment aroused a storm of indignation in parliament and among the masses. Some of the best writers of the country proclaimed their solidarity with the accused and asked also to be prosecuted.

All these are elements of a condition which one of the authors describes as "silent revolution." Menacing symptoms of social pathology are evidenced in a great number of religious sects: the "Fruitless," the "Fasters," the "Witnesses of Jehovah," the "Pentecostists," the "Tremblers," the "Adventists," and others which carry one back to the Middle Ages. As Mr. Kovács testified before his judges, "during religious exercises of the sects, believers, stripped to the waist, flog each other; members of the Fasters lie down in their congregation houses and starve to death, leaving their corpses to be carried out by the gendarmes; the sect of the Fruitless have sentenced themselves to extermination by refusing to have children . . . the sect of the Tremblers give notice by their trembling of the coming of the Great Judgment." In addition to these ascetic mystics, a rebellious sect has come into existence: the so-called "Scythe-Crossers," named from their confused idea of the approaching social revolution when scythes will be straightened into swords for their liberation. Here is a primitive manifestation of the Swastika movement.

But this heartbreaking sociological literature has another and brighter aspect which shows the great creative qualities of the Hungarian people. In many places where the agrarian system is less severe, splendid examples of high-class farming are found, with an intensified production of vegetables, fruits and wine for large-scale export. Important beginnings in the coöperative movement have also been noted. In a few places we hear of peasant circles in which the world's best literature is eagerly read. And at least one agricultural laborer who has spent his forty years in a pathetic struggle for bare existence, Peter Veres, has reached in his book real intellectual and moral heights. What is even more encouraging, Mathias Matolcsy, a member of parliament on the left wing of Tibor Eckhardt's small peasant party, has elaborated in his remarkable book a plan for the complete reform of the Hungarian agrarian system, for the redistribution of the estates, the intensification of production, the introduction of new crops, *in fine*, the remodeling of social policy. Its realistic outlook and its moderation show that the dreams of the present-day Hungarian *narodniki* are not fantastic.

The tragic situation these books reveal is not a Hungarian affair only. The geographic key position which Hungary holds in the Danubian area makes necessary her participation in any new type of regional coöperation. An agrarian reform which is based on a purely mechanical division of the estates is surely not enough. Some conservatives assert, not without a certain justification, that the dismemberment of the *latifundia* has led to a retrogression in agricultural technique in some parts of the adjacent countries. Moreover, in spite of a radical land reform, military autocracy rules in Rumania and Jugoslavia, while Hungary, which has not experienced land reform, still retains at least a semblance of constitutional structure. It nevertheless remains true that both the Rumanian and Jugoslav peasantry have proved to be progressive elements in domestic economics and politics. If the dismemberment of the estates in those countries had been followed by energetic technical improvements, the investment of capital and the development of the coöperative

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movement, Francis Delaisi's vision of a remolded and modernized Central and Eastern Europe could have become a reality.

At present, coöperation between feudal Hungary and the neighboring military dictatorships with their disorganized and oppressed peasantry is an impossibility. It is easy for the great statesmen of Europe to advise that all should follow their own realistic interests, completely disregarding variations in their political and ideological structures. That sort of advice is shortsighted. Without a community of moral and political ideas no true coöperation can be established. In this lies the real tragedy of the Danubian Basin. What makes Czechoslovakia so isolated today is not so much differences in political interests between her and her neighbors as the fact that the feudalistic rulers of Poland and Hungary and the military rulers of Rumania and Jugoslavia instinctively dislike the type of social and political life prevailing in that petty bourgeois and peasant republic.

Many of what I have termed the Hungarian *narodniki* are of course alarmed by the German thrust down the Danube. Several writers describe the steady pressure of German propaganda in the regions of Hungary where there is a German minority. The formerly humble German colonists have become proud Nazis. And there has been a continuous gain in landed property by Germans at the expense of Hungarians.

Nazi propaganda in Hungary is decidedly on the increase, being carried on with ample funds and strong organization. It is dangerous for three reasons. One is that it is anti-Semitic and that it gives the army of wretched white-collar unemployed the hope of getting the positions which are to be vacated by the Jews. The second is that the Nazi organizations make use of many of the same slogans as the *narodniki*, menacing the feudal lords with expropriation. The third is that the Nazi movement is presented as the realization of the irredentist dreams infused by the Horthy régime into the broad masses of the population. The dangers of Germanization are minimized and the picture of a reunited, racially purified and powerful Hungary is emphasized. Czechoslovakia is described as carrion, to be divided up before summer, and hopes also are expressed for the recovery of other "stolen" territories.

Even one wing of the *narodniki* is captivated by these slogans. The anti-latifundist attitude of the Hungarian Nazis may be at least as insincere as was the policy of the German Nazis towards the Junkers. But it would be easier for a Nazi régime to sacrifice the Magyar feudalists than it was for Hitler to sacrifice his allies, the Prussian landholders. Be that as it may, the Nazi pressure is already so great that the government has introduced measures which can be characterized as a system of "liberal" anti-Semitism. The naïve idea is that "twenty percent anti-Semitism" may head off the movement from wilder excesses. In a remarkable series of articles on Poland in the *New York Times* in February 1937, Otto D. Tolischus tells of a Jewish leader who, when asked concerning the future of Polish Jewry, answered: "Either the big estates will go or the Jews will perish." This surely is an exaggerated statement. But it remains true for Poland and Hungary, and indeed for all the Danubian countries, that without a fundamental agrarian reform and a reorganization of national productive forces, there will be an intensification of social tension. In such circumstances only dictatorships are possible.

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# THE AUSTRIAN CONTRIBUTION TO GERMAN AUTARCHY

*By Walter Hildebrand*

THE annexation of Austria has expanded Germany's domestic market by ten percent. More important, it has increased her supply of raw materials, especially iron ore and timber. In southern Austria lie an estimated 300 million metric tons of ore; this mineral possesses an iron content of 30 to 35 percent, has good smelting qualities, is easy of access and can in large part be extracted by strip-mining. The acquisition of these mines almost doubles Germany's pre-*Anschluss* reserves, believed to be about 375 million tons of 25 to 30 percent ore, though Nazi estimates are considerably higher.

The German Government naturally intends to exploit these resources on a large scale. Hitler has announced that by 1940 the new Reich will produce between 41 and 45 million tons of ore — enough to make it completely self-sufficient. The German output of iron ore has been 10 million tons per year, only a third or a quarter of the country's requirements. Field Marshal Goering, who is in charge of the Nazi Four Year Plan to attain autarchy, recently stated that the annual production of Austria will immediately be doubled — from 2 to 4 million tons. This amount will, of course, go only a short way towards relieving Germany of the necessity to import iron ore from abroad. Those in charge of the Four Year Plan doubtless expect to increase Austria's ore output severalfold. They also hope that the new mines being opened in Germany itself will soon be producing on a considerable scale. Nevertheless, it is very unlikely that the Reich can reach self-sufficiency in iron ore by 1940. In any case, even if Goering were able to speed up production enough to meet Hitler's required figure of 41 to 45 million tons, all the German and Austrian ore deposits would be used up within fifteen years. The creation of so shortlived and highly expensive an industry is obviously dictated by military rather than by economic considerations.

Austria also possesses extensive forests, covering more than 7 million acres, that is to say, approximately equivalent to a third of Germany's former forest area. Last year Germany imported timber to a value of 260 million marks. It is estimated that in the future Austria can supply about 25 percent of this amount. Though this will not give Germany self-sufficiency it will help her to conserve her limited foreign exchange.

As regards her shortage in foodstuffs, however, Germany cannot expect any material relief from Austria. Austrian agriculture can furnish meat and dairy products, but only in quantities small in comparison to German needs. In the past, Austria has been a foodstuff-importing country. In fact, she was even more dependent on imports than was the Reich: Austria produced only 76 percent of her food, whereas Germany produced 81 percent.

Prior to the *Anschluss*, Germany was able to purchase from Austria only limited quantities of such things as timber and ore, because she could secure very little Austrian currency. Now, of course, this exchange difficulty has been eliminated, and Germany can buy, in marks, whatever she wants in what

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formerly was Austria. On the other hand, she will receive only marks for what she sells to Austria. Consequently, the amount of money available to her in foreign currency will remain virtually the same as before. Some goods hitherto bought from other countries can now be purchased in Austria with marks; to this extent Germany will be able to acquire additional foreign currency with which to procure foodstuffs and raw materials abroad. But these sums will hardly exceed 70 or 80 million marks a year — less than two percent of the value of Germany's total imports.

In the Austrian National Bank the Germans found gold worth 240 million schillings. This they at once removed to Berlin. They furthermore came into possession of Austrian deposits abroad, valued at around 160 million schillings, as well as some 300 millions of foreign securities held by Austrian investors — all of it subject to forced sale to the Reichsbank. Germany thus gained the equivalent of approximately half a billion reichsmarks in gold and foreign exchange. This sum is considerable in comparison with what the Reichsbank previously had at its disposal. But it will alleviate Germany's foreign exchange troubles only partially and temporarily. If German imports of foodstuffs and raw materials for non-military uses were to be restored to their normal level, this new treasure would last hardly six months. Therefore, either the new-found wealth will shrink rapidly, or difficulties in obtaining food and primary products will continue.

Incidentally, it also should be noted that Germany's foreign debt will be increased by some 1,300 million marks — that is, if in the end she assumes Austria's obligations in full.

To Austria the union with Germany means a complete change in economic system. The Austrian Republic, even in its corporate incarnation, may be said to have retained a relatively liberal type of economic régime. True, there were exchange controls and clearing arrangements with a few countries; but generally speaking, Austrian economics were othodox: business depended primarily on private enterprise; the orders of the government, apart from its limited rearmament program, played no great rôle in the country's economy; the use of foodstuffs and raw materials was free from governmental regulation; trade with other countries was encouraged; every effort was made to attract foreign tourists; the nation's currency was well covered; and the budget was balanced.

These manifestations of liberal economics have now been obliterated, to be replaced by government planning, war economy and autarchy. Austria will henceforth be ruled by the Nazi economic philosophy: reliance on imports will be considered a national shame; business will depend primarily on government contracts; state regulations will minutely govern production and consumption; and billions upon billions of debt will be piled up year after year. Indeed, Goering has already decreed a vast program which will reshape the Austrian economy along Nazi lines. Activities will be mainly directed towards military preparations and other unproductive purposes. Military roads will be built to connect with the network of similar roads in the Reich, fortifications will be erected along Germany's new frontiers, work on the Rhine–Danube Canal will be speeded up, and new railways and public buildings will be constructed. This policy will provide employment without adding in commensurate degree to the people's permanent welfare.

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Austria is already experiencing a decrease in unemployment as a result of being included in the German public works and rearmament programs. The average number of unemployed in 1937 was 320,000 — with a high of 400,000 and a low of 260,000. During the first three months of German rule, the number of unemployed was reported to have been reduced by more than 150,000. The heavy industries are prospering: the iron works, rolling mills and machine factories have received large orders. The building trades will likewise maintain a high level of employment.

Less favorable is the outlook for industries that depend on consumption and on export, for they will be hampered by raw material shortages. They will also feel the force of the international boycott against German goods, which in the past has in many cases operated in favor of Austrian products. Certain of Austria's export items — such as textiles and various kinds of fancy goods — are particularly sensitive to boycotting. It remains to be seen whether the losses which her industries must face as a result of the Nazification of the country will be outweighed by gaining free access to the German market. In any such calculation it must be kept in mind that the highly efficient German industries will now be free to enter the Austrian market, and furthermore that German and Austrian products are much alike and therefore compete with each other both at home and abroad.

This similarity was responsible for the fact that in the past Germany absorbed only 15 percent of Austria's exports and supplied only 16 percent of her imports. The bulk of Austria's foreign trade gravitated to other countries, as can be seen from the following figures for 1937, expressed in millions of schillings:

| Country of Origin or Destination | Imported into Austria | Exported from Austria |
|---|---|---|
| Germany | 233 | 180 |
| Italy | 80 | 172 |
| Czechoslovakia | 160 | 87 |
| Hungary | 131 | 111 |
| Rumania | 87 | 69 |
| Poland | 67 | 53 |
| Jugoslavia | 115 | 66 |
| Great Britain | 66 | 66 |
| United States | 87 | 30 |

To reorganize Austria's foreign trade to meet the new situation will be difficult and painful. She can fulfill German timber requirements, for example, only by cutting her sales to Hungary, Italy and Great Britain. In the case of many commodities, the gain of the German market will just about replace the loss of the old ones. For many years Austrian foreign trade has had an unfavorable balance. In 1937 the excess of imports over exports amounted to 237 million schillings. This was balanced by other income from abroad, mainly by the large amounts of foreign currency brought into the country by tourists. These visitors came primarily from Great Britain, Holland, Czechoslovakia and the United States. But this tourist influx has now ceased, for as a province in the Third Reich Austria is far less attractive to foreigners than it was as an independent republic. The Austrian tourist resorts may in part be compensated by the great number of German visitors who will now come. But these

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will bring only marks — and they will spend them sparingly. There will no longer be that inflow of pounds, dollars, crowns and gulden upon which the country's economy in the past so much depended. In the future, then, Austria will have to go without the imported goods which previously were paid for with those pounds and dollars. Germany suffered a sharp reduction in tourist traffic after the advent of the Nazi régime, with the result that her supply of foreign exchange was curtailed. Austria will now have the same experience, only faster and with more disastrous results, since catering to tourists has been one of her most important industries.

For Austria the era of sound budgets is over: her indebtedness and taxation will increase rapidly. The German tax burden is 50 percent higher than was Austria's under the Republic. By official order, schillings have been converted into reichsmarks at the rate of 1½ schillings to the mark. Before the *Anschluss* the reichsmark was exchanged in private transactions in Vienna at a rate of 1.12 schillings to one mark. But the rate of exchange provided in the old clearing arrangement between Germany and Austria was two schillings to the mark, and trade between the two countries was carried on at this rate. Compared to this, the rate at which schillings have been converted into marks is favorable to Austria, though the effect of this advantage will undoubtedly be only short-lived.

Germany now has common frontiers with Italy, Jugoslavia and Hungary. Her economic position in Southeastern Europe, already very strong as a result of five years of energetic activity by Dr. Schacht and his collaborators, has now become, thanks to the inclusion of Austrian trade in that of the Reich, overwhelmingly predominant. This is indicated in the following table showing the share of Germany and Austria combined in the foreign trade of the five Danubian countries in 1937.

| | Exports to Germany and Austria | Imports from Germany and Austria |
|---|---|---|
| | (percent of total) | |
| Hungary | 41 | 44 |
| Jugoslavia | 35 | 43 |
| Rumania | 27 | 38 |
| Bulgaria | 47 | 58 |
| Czechoslovakia | 21 | 19 |

With the exception of Czechoslovakia, which in recent years has reoriented her trade towards West European and overseas markets, these Danubian countries now find that their foreign commerce depends largely on Germany. The Reich is now by far the largest customer for their raw materials and foodstuffs, and at the same time is their principal source for manufactured goods. Nazi leaders and theorists have made no mystery of their desire to extend German economic, if not political, domination over Southeastern Europe. The lure of Rumanian oil, of Hungarian wheat and of Jugoslav minerals is undeniably strong. The more Germany's contradictory policies of rapid rearmament and of economic autarchy reveal her shortage of primary products, the greater will be the temptation for her to expand into Southeastern Europe. Whether she can impose her hegemony over that vast area without coming into armed conflict with Soviet Russia and the Western Powers, including Italy, remains to be seen.

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# THE PAN AMERICAN HIGHWAY

*By Warren Kelchner*

THE dream of uniting North and South America by a convenient means of overland communication has long been popular. At first those who entertained this vision looked to the railroad for its fulfilment. In recent years, however, hopes have been shifted to the modern hard-surfaced highway. True, the United States is now linked by its own steamship lines with every other American nation possessing a seacoast and by its own air lines with every one of them without exception. But neither a sea nor an air route is regarded by the typical citizen in the United States as a satisfactory substitute for a highway on which, whenever he wishes, he might set out in his own car for Valparaiso or Buenos Aires.

One of the reasons why the United States convoked the first International American Conference in 1889 was to promote railway communication with the other American nations. This Conference resolved to establish an international commission of engineers to determine whether the construction of a railroad uniting North and South America was a feasible project, and, if so, to suggest possible routes. A Pan American Railway Committee, set up pursuant to this resolution, conducted a comprehensive reconnaissance survey, completed in July 1897. It was revealed that a railroad from New York to Buenos Aires would be approximately 10,471 miles long, of which at that time less than half was in existence.

There still is a Pan American Railway Committee, though in recent years little active railway construction has taken place in either North or South America. The Committee has submitted reports to the successive Inter-American Conferences; its last, presented at Montevideo in 1933, indicated that 2,990 miles still remained to be constructed. The present status of the railway is as follows: it has been fully completed as far as La Union, in El Salvador on the Gulf of Fonseca (4,286 miles from New York); between La Union and Panama about 200 miles have been built and some 1,300 remain to be laid; between Panama and Puno (Peru) 802 miles have been constructed, while 2,560 have not; between Puno and Guaqui, Bolivia, the plan calls for water transport on Lake Titicaca; from Guaqui to Buenos Aires the entire 1,600 miles have been completed. There are a number of reasons why early completion of the remaining sections seems remote, among them: the recent expansion of highway networks and the rapid development of air transportation; the technical difficulties and high costs involved in completing certain sections of the railway in mountainous and inaccessible country; the present high cost of railway maintenance; and steamship competition, especially along the west coast of South America.

II

In recent years, therefore, the American Republics have more and more been turning to modern highways as the best means of forwarding international communication. The importance of building a highway to connect the American Republics was recognized by the Fifth Inter-American Conference, held

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at Santiago in 1923. The Sixth Conference, at Havana in 1928, approved the plan and recommended that the governments coöperate in its prompt realization. A Pan American Congress on Highways was held at Rio de Janeiro in August 1929 and an Inter-American Highway Congress at Panama City in October of the same year. The latter met to consider means for completing the Inter-American Highway, the name popularly given to that part of the Pan American Highway between the Texas border and Panama. As now projected, it begins at Nuevo Laredo on the Rio Grande and continues through Mexico City, Oaxaca and on into the Central American republics. The capital cities of all the countries except Honduras lie on the proposed route. In general the Highway will traverse the most densely populated areas in those countries.

At the same time, it will offer the tourist marvelous views of tropical jungles, unsurpassed mountain scenery and famous Indian ruins.

Of the 3,294 miles of the projected Highway between Nuevo Laredo and Panama, 1,615 are completed and open to all-weather traffic. More than one-half of the 1,640 miles in Mexico are already open, nearly all with an excellent hard surface. To construct all-weather roads on the remaining sections from Mexico to Panama will cost, it is estimated, approximately $55,000,000; concrete construction would cost over $150,000,000.

The United States Government has evidenced a real interest in this Highway. President Coolidge strongly urged Congress to enable him to coöperate with the other American Republics in its construction. An Inter-American Highway Commission was established as a result of the Panama Conference

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of 1929, and the United States has taken an active part in its work. On March 4, 1929, Congress appropriated $50,000 for joint reconnaissance surveys. The United States Bureau of Public Roads coöperated with the governments of Guatemala, Honduras, Nicaragua, Costa Rica and Panama in making such surveys; Mexico and El Salvador did not request the assistance of the United States, indicating that they would complete their own portions of the Highway without outside help. The surveys demonstrated the feasibility of an Inter-American Highway from an engineering standpoint.[1]

The United States also appropriated $1,075,000 to join with the other interested governments in making location surveys and in actually constructing the Highway. Offices of the United States Bureau of Public Roads have been established in Panama City and in San José, Costa Rica. In most cases the coöperation of the United States takes the form of help in the construction of bridges: the United States supplies most of the engineering services, as well as the superstructure, steel, cement and necessary equipment; the Central American governments furnish local materials, labor, rights of way, etc. Through these joint efforts 14 bridges have been, or are being, built; and some 55 miles of highway have been constructed in Guatemala, Nicaragua and Costa Rica.

The Highway is now paved throughout the 765 miles from Nuevo Laredo to Mexico City. From there to the Guatemalan border at Tapachula some of the road has been completed, some is in course of construction and some has not even been located. None the less, President Cárdenas has said that the entire Mexican section will be open by 1940. The Guatemalan section of 310 miles follows for the most part the high plateau and at one place reaches an altitude of 10,500 feet — the highest point on the entire Highway. The road is of gravel and passable throughout, though some parts are narrow, with steep grades and sharp curves. Much of it is now being reconstructed. In El Salvador the road is passable throughout its entire distance (185 miles), of which probably half is in good all-weather condition. Work is proceeding on the other half.

The total length of the Highway in Honduras will be about 90 miles, only 23 of which have so far been built. A 1,000-foot suspension bridge has been built over the Choluteca River through the coöperative action of the United States and Honduras. The Highway will be connected with the capital, Tegucigalpa, by the road now running to the latter from the Pacific coast. The Nicaraguan section is some 214 miles long and most of it still consists of trails or poor earth roads. Three bridges and about 18 miles of road are now being constructed through the joint efforts of the United States and Nicaragua.

Costa Rica's 360 miles constitute a longer portion of the Highway than that in any of the other Central American countries. The route lies on the Pacific slope, but varies in elevation from 140 to 7,300 feet. Serious construction difficulties will be encountered in places, but when completed this section will offer unsurpassed scenery and open up regions heretofore inaccessible. With the exception of about 48 miles of paved road near San José, most of the Costa Rican section is yet to be built. A 25-mile stretch south of San José is now

[1] A report on these surveys was submitted by the United States Delegation to the Montevideo Conference in 1933 and was later transmitted to the Congress of the United States on March 6, 1934. See Senate Document No. 224, 73d Congress, 2nd Session, entitled "Proposed Inter-American Highway."

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being constructed with the coöperation of the United States. Much of the remaining mileage to the Panama border traverses an almost uninhabited region and is as yet unbuilt. The same is true for the first 25 miles into Panama. But from Concepción to David (20 miles) there is a fair road, and from David to Panama there is a good highway of 308 miles, the longest stretch of improved road south of Mexico. Several bridges have been or are being built in Panama with the aid of the United States. In the Canal Zone a concrete road connects the border with the Balboa basin, where a free ferry to Balboa and Panama City is operated by the Canal authorities.

The financial difficulties in which some of the Central American countries find themselves are an obstacle to the early completion of the Inter-American Highway. General agreement on the desirability of constructing an international highway does not necessarily lead to agreement as to how to finance it. Various plans have been suggested. One provides for the refunding of the foreign debts of the Central American governments and the issuance of a new loan through the United States Reconstruction Finance Corporation. Another proposal is that a Central American Bank of Issue be established with branch banks in each country. It has also been suggested that the United States Government give direct financial assistance to the Central American nations. Still another proposal is that tolls be collected and used to finance construction. But none of these plans has been adopted thus far.

III

So much for the Mexican and Central American portions of the Highway. What about those lying in South America?

At the Inter-American Conference for the Maintenance of Peace held at Buenos Aires in 1936 the delegates signed a Pan American Highway Convention of which Articles II and III are as follows:

> Art. II. The High Contracting Parties shall form a Commission of technical experts with the object of coordinating the work of the different governments and also to complete the studies and formulate the necessary projects in those countries which, not having heretofore completed this work, may need the cooperation of the Commission.
>
> Art. III. Immediately after ratifying the present Convention, the High Contracting Parties shall consult among each other with a view to appointing a financial committee composed of the representatives of three of the ratifying Governments. This Committee shall study the problems concerning the speedy completion of the Pan American Highway, and within a period not more than six months from the date of its constitution shall submit a detailed report for the consideration of the Governments, accompanied by a plan for the solution of said problems.

Thus far only three nations have adhered to this Convention — Nicaragua, Mexico and the United States — and none of them is in South America, the site of most of the unbuilt mileage.

The South American governments have not definitely agreed upon any particular route to be followed by the Pan American Highway south of Panama. In many cases it will, of course, make use of the extensive road systems which the individual countries have been constructing in recent years. However, long segments of it will have to be hewn out of the virgin wilderness.

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In so vast a continent with such wide varieties of terrain one cannot even hazard a guess as to the route which the Highway will follow in some sections.

A usable road now extends south from Panama City for about 50 miles. From that point to Antioquia, Colombia, a distance of approximately 300 miles, the country is largely swamp land which few if any white men have ever penetrated. The most direct route from Panama to South America lies through this region; however, to construct a road here would present such tremendous difficulties that it may be decided to substitute for this section of the Highway a ferry service from Cristobal to Cartagena (Colombia) or even to La Guaira (Venezuela). From either of these ports the Highway would then proceed southward along the western slopes of the Andes.

At present the capitals of Venezuela, Colombia and Ecuador are joined by the Bolivar International Highway (also called the "Carretera de los Andes"), much of which, however, is open for use only in dry weather. Venezuela has a good highway system. From Caracas the Highway is in fairly good shape to Bogotá, capital of Colombia. From Bogotá to Quito, capital of Ecuador, types of road all the way from concrete highways to mere tracks are to be found. From Quito the route — two-thirds of which is now open — continues south along the high Andes through Cuenca to the Peruvian border.

The Peruvian Government is now actively pursuing a three-year road building program which includes the construction of a great coastal highway running from Ecuador to Chile. At present, however, much of this road is unimproved. On the south it joins the longitudinal highway in Chile, largely a dry-weather road, running to Santiago, a distance of 1,577 miles. Santiago is connected with Mendoza, Argentina, by a road across the Andes through the Uspallata Pass, which because of its height — 13,120 feet — is free from snow and open to traffic only about six months in the year. From Mendoza a highway extends to Buenos Aires, a distance of 685 miles, about one-third of which is paved.

An alternative route would, instead of following the Pacific coast, keep to the Andean highlands at elevations ranging from 6,000 to 14,000 feet. Branching off from the other route in southern Ecuador, it would pass through Cerro de Pasco and Cuzco to the Bolivian frontier on Lake Titicaca. Much of this route has not yet even been located and construction would in many places be very difficult. From the Bolivian frontier a dry-weather road extends through La Paz, Oruro, Sucre and Potosí to the Argentine border. In Argentina not only is the entire Highway (1,328 miles) open to traffic, but over a third of it — from Córdoba to Buenos Aires — is paved with concrete.

Buenos Aires is connected with the three remaining South American capitals by roads of one sort or another. To reach Montevideo one takes a ferry to Colonia and then a paved road the rest of the way. From Montevideo to Rio, however, much of the road is poor. One-half of the 935-mile highway from Buenos Aires to Asuncion via Santa Fé and Formosa has now been paved.

This brief description of the present state of the Pan American Highway reveals that much remains to be done before a traveler can go by automobile from Washington to Panama, and still more before he can continue to Santiago and Buenos Aires. But tremendous advances have been made during the last decade and there is reason to believe that in the next few years the dream of a great Highway connecting the American Republics will approach fulfilment.

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*By Robert Gale Woolbert*

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This latest addition to the indispensable series prepared under the auspices of the Royal Institute of International Affairs has as its main themes the decline of collective security, the rise of the "Rome-Berlin Axis" and the accompanying change in the attitude of the smaller Powers.

INTERNATIONAL SANCTIONS. New York: Oxford University Press, 1938, 247 p. $5.00.

A sensible report on a controversial subject by a group at the Royal Institute of International Affairs. Most of it is naturally devoted to the operation of sanctions during the Ethiopian War. A possible criticism is that not enough attention is given to military, as opposed to economic, sanctions.

THE FAMILY OF NATIONS. BY NICHOLAS MURRAY BUTLER. New York: Scribner, 1938, 400 p. $3.00.

Addresses by the President of Columbia University diagnosing the world's present drift to chaos.

THE WORLD CRISIS. BY PROFESSORS OF THE GRADUATE INSTITUTE OF INTERNATIONAL STUDIES AT GENEVA. New York: Longmans, 1938, 385 p. $4.00.

The present state of international affairs examined from various angles.

THE TYRANNY OF WORDS. BY STUART CHASE. New York: Harcourt, 1938, 396 p. $2.50.

A well-known writer on social questions turns his attention to the use and abuse of abstract words, which he finds a fruitful source for much of our footless discussion of current problems.

POLITICAL INSTITUTIONS: A PREFACE. BY EDWARD MCCHESNEY SAIT. New York: Appleton-Century, 1938, 548 p. $4.50.

A fundamental treatise emphasizing the historical approach.

CONSTRUCTIVE DEMOCRACY. BY VARIOUS WRITERS. London: Allen and Unwin, 1938, 247 p. 7/6.

Addresses by a dozen men prominent in British political and academic life, whose common preference for democratic processes as opposed to authoritarian régimes rests upon practical rather than theoretical grounds.

DÉMOCRATIES EN CRISE. BY LOUIS R. FRANCK. Paris: Rieder, 1937, 79 p.

A brief but penetrating analysis of the "new deals" of Roosevelt, Van Zeeland and Blum. The author concludes that in all three countries the bounds of governmental activity have been extended but that the theories which motivated the experiments have been proved erroneous.

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TROIS EXPÉRIENCES. By Aymé-Guerrin. Paris: Denoël, 1937, 175 p. Fr. 12.
Soviet Communism, Italian Fascism and Rooseveltian New Deal contrasted in the light of events up to June 1937.

COMMUNISM, FASCISM, OR DEMOCRACY? By Eduard Heimann. New York: Norton, 1938, 288 p. $2.50.
Somewhat complicated and not entirely convincing interpretations of Socialism, Communism and Fascism as transformations of democracy, by a professor at the University in Exile.

TOTALER STAAT — TOTALER MENSCH. By R. N. Coudenhove-Kalergi. Vienna: Paneuropa Verlag, 1937, 193 p.
Essays by a leading Austrian internationalist. The first, and better, half of the book interprets history in the light of man's struggle for freedom. The second half proposes a sort of Austro-federalism.

L'ÉGLISE ET L'ÉTAT. By Luigi Sturzo. Paris: Les Éditions Internationales, 1937, 682 p. Fr. 50.
The relations of Church and State since the beginning of Christianity reinterpreted from the sociological standpoint by the former leader of the Popular (Catholic) Party in Italy, now exiled.

HELLO AMERICA! By César Saerchinger. Boston: Houghton, 1938, 393 p. $3.50.
Mr. Saerchinger, until recently European director of the Columbia Broadcasting System, was a pioneer in arranging broadcasts from Europe to America. In this entertaining book he recounts his numerous adventures and describes European broadcasting and radio propaganda.

A HISTORY OF THE LEAGUE OF NATIONS. By John I. Knudson. Atlanta: Smith, 1938, 445 p. $3.00.
A sympathetic summary of the League's achievements.

NARRENSPIEGEL DER GESCHICHTE. Essen: Essener Verlagsanstalt, 1938, 312 p. M. 9.80.
Nearly five hundred telling postwar cartoons from various countries.

ALL-ISLAM! WELTMACHT VON MORGEN? By Paul Schmitz. Leipzig: Goldmann, 1937, 260 p. M. 6.
A German journalist's description of the reawakening self-consciousness of the Moslem world and of Islam's growing opposition to European (including Italian) domination.

LA POLITIQUE COLONIALE ET LE PARTAGE DE LA TERRE AUX XIX$^{e}$ ET XX$^{e}$ SIÈCLES. By Georges Hardy. Paris: Michel, 1937, 499 p. Fr. 40.
This book, which belongs to Henri Berr's vast collection "L'Évolution de l'Humanité," is a remarkable synthesis of colonial history since the French Revolution. The author is an outstanding French authority on colonial questions.

THE STORY OF TWENTIETH-CENTURY EXPLORATION. By Charles E. Key. New York: Knopf, 1938, 310 p. $3.50.
Instructive chapters on what contemporary explorers have done to decrease the area of *terra incognita*.

LES LEÇONS DE LA GUERRE D'ESPAGNE. By General Duval. Paris: Plon, 1938, 247 p.
An analysis of the strategy of the Spanish war by a French general who openly sides with Franco. Among other things he finds that the war has not confirmed the theory that armaments should be restricted to planes and tanks.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

AIR WAR: ITS TECHNICAL AND SOCIAL ASPECTS. By W. O'D. Pierce. London: Watts, 1937, 154 p. 2/6.

A rapid summary of aviation history — military and civil.

AIR DEFENCE AND THE CIVIL POPULATION. By H. Montgomery Hyde and G. R. Falkiner Nuttall. London: Cresset, 1937, 239 p. 12/6.

The dangers of aërial warfare and how the civilian can protect himself from them.

LUFTMACHT. By F. A. Fischer von Poturzyn. Heidelberg: Vowinckel, 1938, 176 p.

A German authority writes about military aviation and air strategy without telling us anything concerning Germany's preparations or equipment in this field.

FIGHTING PLANES OF THE WORLD. By Lieutenant Commander E. C. Talbot-Booth. New York: Appleton-Century, 1938, 608 p. $3.00.

Precise information on the air forces of all nations, with many illustrations.

MACHINE GUNS: THEIR HISTORY AND TACTICAL EMPLOYMENT. By Lieutenant-Colonel Graham Seton Hutchison. New York: Macmillan, 1938, 349 p. $7.00.

The development of the machine gun during the last 75 years, with particular attention to British experience.

INTERNATIONAL LEGISLATION. Volume VI. Edited by Manley O. Hudson with the collaboration of Ruth E. Bacon. Washington: Carnegie Endowment for International Peace, 1937, 986 p. $4.00.

"A collection of the texts of multipartite international instruments of general interest" signed between 1932 and 1934.

DU DÉLIT D'ESPIONNAGE: ÉTUDE DE DROIT FRANÇAIS ET DE LÉGISLATION COMPARÉE. By F. Hirt. Paris: Sirey, 1937, 416 p. Fr. 65.

An expert legal study covering six continental countries.

IN 1937. By Alvin C. Eurich and Elmo C. Wilson. New York: Holt, 1938, 523 p. $2.50.

The year's events in politics, literature, arts and sport.

DOCUMENTS ON INTERNATIONAL AFFAIRS, 1936. Edited by Stephen Heald in conjunction with John W. Wheeler-Bennett. New York: Oxford University Press, 1938, 717 p. $14.00.

The texts of important international agreements, dispatches, official statements, speeches, etc.

SPEECHES AND DOCUMENTS ON INTERNATIONAL AFFAIRS, 1918–1937. Edited by Arthur Berriedale Keith. New York: Oxford University Press, 1938, 2 v. $1.60.

Handy reference material topically arranged.

ALMANACH DE GOTHA, 1938. Gotha: Perthes, 1938, 1375 p.

The latest edition of this diplomatic and statistical annual.

## *General: Economic and Social*

MONETARY NATIONALISM AND INTERNATIONAL STABILITY. By F. A. von Hayek. New York: Longmans, 1937, 94 p. $2.00.

Five lectures delivered at the Graduate Institute of International Studies in Geneva by the Austrian economist, now a professor in the University of London.

INTERNATIONAL TRADE. By Hugh B. Killough. New York: McGraw-Hill, 1938, 622 p. $4.00.

A comprehensive survey by a Professor of Economics in Brown University, illustrated with many tables and charts.

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ELECTRONIC REPRODUCTION PROHIBITED

REPORT ON INTERNATIONAL TRADE. London: P E P, 1937, 302 p. 8/6.

"A survey of problems affecting the expansion of international trade, with proposals for the development of British commercial policy and export mechanism" prepared by the independent non-party group known as P E P (Political and Economic Planning). The analysis is factual and the proposals concrete.

SZABADKERESKEDELEM ÉS PROTEKCIONNIZMUS. By M. Éber. Budapest, 1938, 131 p.

A philippic against exaggerated protectionism by the President of the Hungarian Society of Political Economy.

THE PROBLEMS AND PRACTICE OF ECONOMIC PLANNING. By Raymond Burrows. London: King, 1937, 280 p. 10/6.

A thoughtful treatise divided into three parts: the theory of planning, planning in practice (the largest and best part of the book), and the author's conclusions (largely theoretical).

ON THE ECONOMIC THEORY OF SOCIALISM. By Oskar Lange and Fred M. Taylor. Minneapolis: University of Minnesota Press, 1938, 143 p. $1.75.

A refutation of von Mises' recent work "Socialism" by a young Polish economist, with a paper on "The Guidance of Production in a Socialist State" by Professor Taylor, late of the University of Michigan.

THE SOCIALIST CASE. By Douglas Jay. London: Faber, 1937, 362 p. 12/6.

The financial editor of the *Daily Herald* of London seeks to demonstrate that poverty can be greatly reduced without violence or loss of economic freedom. The author adopts a long-range view and is not concerned with immediate questions of strategy.

THE ECONOMIC SYSTEM IN A SOCIALIST STATE. By R. L. Hall. New York: Macmillan, 1937, 263 p. $2.75.

A theoretical treatise by a Fellow at Trinity College, Oxford.

THE POPULATION PROBLEM: THE EXPERTS AND THE PUBLIC. London: Allen and Unwin, 1938, 176 p. 5/.

T. H. Marshall, A. M. Carr-Saunders, H. D. Henderson, R. R. Kuczynski and Arnold Plant explain the problem in simple terms.

HEREDITY AND POLITICS. By J. B. S. Haldane. New York: Norton, 1938, 202 p. $2.50.

A British scientist, who is also a well-known Socialist, examines the tie-up between biology and politics, particularly as relating to eugenics and race.

RACE: A STUDY IN MODERN SUPERSTITION. By Jacques Barzun. New York: Harcourt, 1937, 353 p. $2.50.

An interesting book for the student of international affairs in view of the present political importance of racial theories. Unfortunately, the author detracts from the merits of his work by advancing a dubious theory of his own.

WORLD CHAOS OR WORLD CHRISTIANITY. By Henry Smith Leiper. Chicago: Willett, Clark, 1937, 181 p. $1.50.

An interpretation for the layman of the great church conferences held in the summer of 1937 at Oxford and Edinburgh, by the executive secretary of the Universal Christian Council in America.

THE WAR AGAINST GOD. By Sidney Dark and R. S. Essex. New York: Abingdon Press, 1938, 301 p. $2.00.

What is being done to destroy religion, openly in Russia, Mexico and Spain, covertly in Germany and Italy.

CHISHOLM'S HANDBOOK OF COMMERCIAL GEOGRAPHY. By L. Dudley Stamp. New York: Longmans, 1938, 884 p. $8.00.

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ELECTRONIC REPRODUCTION PROHIBITED

An almost entirely rewritten edition of a standard reference work, amply illustrated with maps, charts and statistical tables.

## *The World War*

DIE KLEINEN STAATEN EUROPAS UND DIE ENTSTEHUNG DES WELTKRIEGES. By Paul Herre. Munich: Beck, 1937, 517 p. M. 10.50.

A leading German historian examines in considerable detail the prewar diplomatic history of Spain, Portugal, the Scandinavian countries, Holland, Belgium, Luxembourg, Switzerland and the Balkans. The last chapter briefly discusses the rôle of the small states, new and old, in postwar Europe.

EUROPAS DIPLOMATIE AM VORABEND DES WELTKRIEGES. By Ernst Anrich. Berlin: Quaderverlag Bach, 1937, 85 p. M. 2.

A competent interpretation by a lecturer at Bonn.

LE DRANG NACH OSTEN DU CONGRÈS DE BERLIN AUX GUERRES BALKANIQUES. By Jean François-Dainville de la Tournelle. Paris: Pedone, 1938, 169 p. Fr. 40.

A history of Germany's prewar political, economic and cultural drive southeastward.

BRITISH WAR MISSIONS TO THE UNITED STATES, 1914–1918. By Colonel W. G. Lyddon. New York: Oxford University Press, 1938, 233 p. $4.00.

Light on a hitherto little-known chapter of war history.

THE OFFICIAL HISTORY OF AUSTRALIA IN THE WAR OF 1914–1918. Volume V and Volume XI. Sydney: Angus and Robertson, 1937, 1936, 825 p., 922 p. 21/, 18/.

The two latest additions to an extensive war history. Volume V ("The A. I. F. in France," by C. E. W. Bean) covers the period of the last great German offensives between December 1917 and May 1918; volume XI ("Australia during the War," by Ernest Scott) deals with all phases of the war on the home front.

DIE ABDANKUNG KAISER WILHELMS II: DIE ENTSTEHUNG UND ENTWICKLUNG DER KAISERFRAGE UND DIE HALTUNG DER PRESSE. By Adolf Stutzenberger. Berlin: Ebering, 1937, 212 p. M. 8.40.

An account of public discussion in Germany concerning the Kaiser's abdication.

ALLA DIFESA D'ITALIA IN GUERRA E A VERSAILLES. By Silvio Crespi. Milan: Mondadori, 1937, 844 p. L. 30.

This diary, covering the period from November 1917 to September 1919, in which Senator Crespi tells of his work as Minister of Supplies, as Italian representative on inter-allied economic councils and as delegate at the Versailles Peace Conference, is particularly important because few Italians have published memoirs about this epoch.

ARTILERISTI: SPOMENI OT VOINATA, 1915–1918. By N. Zahkari Ilchev. Sofia: Danov, 1937, 208 p. Leva 60.

A Bulgarian officer's war memoirs.

CIHAN HARBINE NEDEN GIRDIK, NASIL GIRDIK, NASIL IDARE ETTIK. By Kâzim Karabekir Pasha. Istanbul: Tejelli Press, 1937, 2 v., 215 Piastres.

The beginning of a very detailed account of Turkey's part in the World War, by a prominent Turkish general, especially interesting in its emphasis on Turkish designs against Tsarist Russia.

## *The United States*

THE UNITED STATES IN WORLD AFFAIRS, 1937. By Whitney H. Shepardson in collaboration with William O. Scroggs. Published for the Council on Foreign Relations. New York: Harper, 1938, 336 p. $3.00.

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An objective and briskly related account of the important developments of the past year which in some way influenced the international relations of the United States. The early chapters describe the conflict of ideologies in Europe and their effect on American public opinion and national policy, especially as indicated by the attempts to safeguard national security through stronger neutrality legislation and through increases in the military and naval establishments. Especial attention is given to events in Latin America and the Far East which impinge on American interests. The growing tension in relations with Mexico because of her wholesale expropriations of the property of American citizens; the anxieties in the United States concerning Fascist intrigues in South America; the application of the new inter-American peace machinery to the settlement of disputes in the Caribbean; and the most recent measures taken in Washington to reduce trade barriers, are all described in detail. Puerto Rico and the Philippines receive attention, and there is a graphic description of the Sino-Japanese dispute and of the official and unofficial reactions which it has evoked in the United States.

OUR TRADE WITH BRITAIN: BASES FOR A RECIPROCAL TARIFF AGREEMENT. By Percy Wells Bidwell. New York: Council on Foreign Relations, 1938, 129 p. $1.50.

This book is the outcome of an investigation made by a group of members of the Council on Foreign Relations. The author, formerly Economist of the United States Tariff Commission, analyzes the trade between Great Britain and the United States, the postwar commercial policy of the two countries, and the pros and cons of a reciprocal tariff agreement. This timely little volume supplies the necessary background for understanding the negotiations now in progress for an Anglo-American trade agreement. There is a selected bibliography and a statistical appendix.

AMERICA GOES TO WAR. By Charles Callan Tansill. Boston: Little, Brown, 1938, 731 p. $5.00.

The literature describing the background of America's entry into the World War is being constantly expanded. Most of these additions are partisan or superficial; some, however, strive for objectivity and contribute to our understanding of that period. The present volume, the fruit of ten years of patient research, belongs decidedly to the latter category, even though on some points it will be called biassed. Dr. Tansill has examined, analyzed and synthesized the available sources, published and manuscript, both in the United States and abroad. On the whole his conclusions confirm the contention of the school of previous writers represented by Grattan and Millis that an important factor in the evolution of the United States from neutrality to war was an insufficiency of Congressional control over the President's conduct of foreign relations.

WOODROW WILSON, DISCIPLE OF REVOLUTION. By Jennings C. Wise. New York: Paisley Press, 1938, 674 p. $3.75.

The author has gone to an immense amount of work to try to prove that Wilson, completely dominated by Colonel House, consciously strove to impose a presidential dictatorship on the United States at the same time that he was conspiring, with the active support of international bankers, to establish a super-government to enforce peace throughout the world. In spite of its apparently extensive documentation this book will not convince anyone who does not want to be convinced.

AND SO TO WAR. By Hubert Herring. New Haven: Yale University Press, 1938, 178 p. $2.00.

Mr. Herring, who writes voluminously on American foreign policy, believes that the United States is now drifting to war, unconsciously but inevitably, just as it did between 1914 and 1917. Among the many things of which he is suspicious is President Roosevelt's supposed pro-British bias. This is a partisan and not very informative book.

FIGHTING FOOLS. By Brigadier-General James E. Edmonds. New York: Appleton-Century, 1938, 373 p. $2.50.

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A forceful review of American military history seeking to prove the usual Army thesis that our war-making apparatus should be greatly expanded if the United States is to be made capable not only of defending itself but of enforcing its policies abroad. A provocative book, whether you agree with it or not.

THE NAVY: A HISTORY. By Fletcher Pratt. Garden City: Doubleday, 1938, 496 p. $4.00.

American naval lore brought up to date.

THE EDUCATION OF A DIPLOMAT. By Hugh Wilson. New York: Longmans, 1938, 224 p. $2.50.

The author, now American Ambassador in Berlin, reminisces on his career as a junior member of the diplomatic service prior to our entrance into the World War. Mr. Wilson makes no revelations, but does provide a few interesting sidelights on life in the countries where he served between 1911 and 1917: Portugal, Guatemala, Argentina, wartime Germany and Switzerland.

THE DAILY NEWSPAPER IN AMERICA. By Alfred McClung Lee. New York: Macmillan, 1937, 797 p. $4.75.

A mine of useful information on the history and present state of American journalism.

THE STUDY OF INTERNATIONAL RELATIONS IN THE UNITED STATES: SURVEY FOR 1937. By Edith E. Ware. New York: Columbia University Press, 1938, 540 p. $3.50.

A revised edition of an invaluable source of information about the various American organizations — research, academic, propagandistic, religious, etc. — interested in international relations.

THE RECIPROCAL TRADE POLICY OF THE UNITED STATES. By Henry J. Tasca. Philadelphia: University of Pennsylvania Press, 1938, 371 p. $3.50.

A thorough analysis of the philosophy behind the present trade treaty policy of the United States, with an appendix and bibliography.

AMERICA'S STAKE IN INTERNATIONAL INVESTMENTS. By Cleona Lewis. Washington: Brookings Institution, 1938, 710 p. $4.00.

The debtor-creditor position of the United States in the past and at present.

THE INCOME STRUCTURE OF THE UNITED STATES. By Maurice Leven. Washington: Brookings Institution, 1938, 177 p. $1.50.

Copious statistical material, and what it proves.

## *Western Europe*

MONEY POWERS OF EUROPE IN THE NINETEENTH AND TWENTIETH CENTURIES. By Paul H. Emden. New York: Appleton-Century, 1938, 428 p. $3.50.

The history of the great European financial houses.

COURSE AUX ARMEMENTS ET FINANCES PUBLIQUES. By Charles Tiffen. Paris: Librairie Générale de Droit, 1938, 269 p. Fr. 40.

Statistical and interpretive material covering Britain, France and Germany between 1928 and 1937.

INTERMISSION IN EUROPE. By Vernon Bartlett. New York: Oxford University Press, 1938, 296 p. $2.75.

Scattered reminiscences by a widely-travelled British journalist.

LÉON BLUM: MAN AND STATESMAN. By Geoffrey Fraser and Thadée Natanson. Philadelphia: Lippincott, 1938, 330 p. $3.00.

This is described as the "authorized, definitive biography of Léon Blum," though it is difficult to see how it can be "definitive" so long as the Socialist leader remains an important factor in French politics. In any event, it is a well-written and convincing

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picture of Blum, first as a literary, then as a political, figure. Mr. Fraser is a British-American journalist and Mr. Natanson is a French business man and litterateur, one of Blum's oldest friends.

LES TENDANCES DU POUVOIR ET DE LA LIBERTÉ EN FRANCE AU XX-SIÈCLE. By Maxime Leroy. Paris: Sirey, 1937, 166 p. Fr. 26.

The first part of this work by a French sociologist discusses recent changes in French constitutional practice. The second part deals with the development of corporatism in France as exemplified by such organs as the Conseil National Économique.

LA NOTE DE SEMAINE, 1937. By André Tardieu. Paris: Flammarion, 1938, 248 p. Fr. 20.

Articles originally printed in the Rightist weekly *Gringoire* in which the former Prime Minister continues his attack on the evils of French parliamentarism without offering any constructive suggestions.

PEASANTRY AND CRISIS IN FRANCE. By Neil Hunter. London: Gollancz, 1938, 287 p. 7/6.

An inquiry into the constantly deteriorating economic and social position of the French peasant.

LES MAÎTRES DE LA FRANCE. Volume III. By Augustin Hamon and X. Y. Z. Paris: Éditions Sociales Internationales, 1938, 348 p. Fr. 25.

Chapter and verse — how reliable one can only guess — on the "feudal" financial control of French transportation companies and colonial enterprises.

LA BANQUE DE FRANCE. By E. Servais. Paris: Librairie Générale de Droit, 1938, 214 p. Fr. 35.

Its history, organization and operation.

LES FINANCES DE LA IIIème RÉPUBLIQUE. By Georges Lachapelle. Paris: Flammarion, 1937, 252 p. Fr. 16.

A dry but useful reference book on French financial legislation and administration during the last 65 years by an ardent opponent of the Front Populaire.

COMMERCE EXTÉRIEUR: NÉCESSITÉ NATIONALE. By Julien Durand. Paris: Librairie Générale de Droit, 1938, 236 p. Fr. 35.

The thesis that France should increase her exports, expounded by a Radical Socialist deputy.

LA RÉFORME MONÉTAIRE EN BELGIQUE. By Henri Hue. Paris: Librairie Générale de Droit, 1937, 274 p. Fr. 35.

A careful study of the political, psychological and economic factors.

L'ISLANDE: SON STATUT À TRAVERS LES ÂGES. By Aage Gregersen. Paris: Sirey, 1937, 462 p. Fr. 32.

An exhaustive history of Iceland's juridical status from its colonization down to 1936.

I KNOW THESE DICTATORS. By G. Ward Price. New York: Holt, 1938, 305 p. $3.00.

Mr. Price is an English journalist who enjoys frequent personal contacts with Mussolini and Hitler, both of whom he admires tremendously, and for whom he often serves as mouthpiece. Very little that he tells us is not already common knowledge. The book is useful chiefly as an example of how the Fascists appeal to a certain type of Anglo-Saxon.

KAMPF UM DIE MACHT: AUFSÄTZE VON 1921–1932. By Alfred Rosenberg. Munich: Eher, 1938, 808 p. M. 6.

Articles by the "Reichskulturleiter" written during the "Kampfzeit," 1921–32.

THE GERMAN OCTOPUS. By Henry C. Wolfe. Garden City: Doubleday, 1938, 316 p. $2.50.

Hitler's "Drang Nach Osten" as seen on the spot.

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GERMANY: WORLD EMPIRE OR WORLD REVOLUTION. By G. Reimann. London: Secker, 1938, 302 p. 10/6.

A German ex-Communist writes about the Nazis without saying anything particularly new.

INSULTED AND EXILED. By Arnold Zweig. London: Miles, 1937, 255 p. 10/6.

A pro-Zionist polemic by the exiled German novelist, useful largely because it enumerates at length the Jews who have distinguished themselves in German life.

KRIEGSMARINE UND POLITISCHE FÜHRUNG. By Joachim Lehment. Berlin: Junker und Dünnhaupt, 1937, 131 p. M. 6.

A history of the political importance of the German Navy since prewar days, showing its secondary rôle to that of the Army.

FROM U-BOAT TO PULPIT. By Martin Niemöller. Chicago: Willett, Clark, 1937, 223 p. $2.00.

The autobiography of the former submarine commander turned parson who has been one of the leaders in the Confessional Church Movement in Germany. Henry S. Leiper has a 40-page appendix — "From Pulpit to Prison" — describing that movement and bringing Niemöller's story down to date.

GENERALOBERST VON SEECKT: EIN ERINNERUNGSBUCH. Edited by the Deutsche Gesellschaft für Wehrpolitik und Wehrwissenschaften. Berlin: Mittler, 1937, 78 p. M. 2.50.

Uncritical praise of the man who created the Reichswehr.

LES RAPPORTS ÉCONOMIQUES GERMANO-BELGES. By Wilhelm Gürge. Liège: Thone, 1937, 92 p.

A careful analysis covering the decade 1925 to 1935. Numerous statistical tables.

LA COLONISATION AGRICOLE EN ALLEMAGNE. By P. V. Grégoire. Paris: Pedone, 1938, 144 p.

Details on the movement to create peasant farms in Prussia east of the Elbe. It is evident that thus far this has not broken the power of the Junkers.

POLITICA AGRARIA TEDESCA. By Ferdinando di Fenizio. Milan: "Aracne," 1937, 190 p. L. 20.

This study on the operation of Germany's planned economy in the agricultural sector appears under the auspices of the Istituto di Politica Economica e Finanziaria of Milan.

WEHRWIRTSCHAFT UND BÖRSE. By Arnd Jessen. Berlin: Decker, 1937, 109 p. M. 3.25.

The functioning of the German stock exchanges under the Nazis.

OBERSCHLESIEN IN DER AUFSTANDSZEIT, 1918–1921. By Karl Hoefer. Berlin: Mittler, 1938, 376 p. M. 5.80.

The reminiscences of the general who commanded the *Oberschlesischer Selbstschutz* in 1921, when Polish and German irregulars were disputing Silesia.

DARSTELLUNGEN AUS DEN NACHKRIEGSKÄMPFEN DEUTSCHER TRUPPEN UND KREIKORPS. Volume III. Berlin: Mittler, 1938, 208 p.

The activities of the German volunteer troops in the former Baltic provinces of Russia during the second half of 1919.

DER OSTSEERAUM. By Wulf Siewert. Leipzig: Teubner, 1938, 99 p. M. 1.35.

A geopolitical exposition of power politics in Germany's *Mare Nostrum.*

DIE ENTEIGNUNG DES DEUTSCHEN KOLONIALBESITZES. By Constantin von Gilwicki. Hamburg: Broschek, 1937, 101 p.

Another example of the present Nazi colonial propaganda.

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WEM HAT DEUTSCHLAND SEINE KOLONIEN AUFGRUND DES VERSAILLER DIKTATS UBERLASSEN? By Harro Brenner. Berlin: Dummlers, 1938, 99 p. M. 4.05.

The sins of the Allies can be atoned only by returning Germany's colonies to her.

DIE TRAGÖDIE ÖSTERREICHS. By Viktor Bibl. Leipzig: Günther, 1937, 587 p. M. 6.25.

This history of Austria since Maria Theresa by a Viennese professor adds little to our knowledge but unintentionally throws much light on the reasons for the anti-Hapsburg and pro-Nazi attitude of the Austrian middle class since the war.

MUSSOLINI IN THE MAKING. By Gaudens Megaro. Boston: Houghton, 1938, 347 p. $3.50.

An important book which reconstructs Mussolini's career prior to 1912, based on a prolonged and painstaking sifting of all available sources. Though the author's sympathies are anti-Fascist, his scholarship is unimpeachable.

WHAT ITALY OWES TO MUSSOLINI. By Mario Missiroli. London: Heritage, 1938, 191 p. 5/.

The genius of Il Duce as shown by his achievements.

IL DUCE NEL MONDO. By Francesco Sapori. Rome: "Novissima," 1938, 464 p. L. 15.

Numerous statements in praise of Il Duce made by non-Italians.

ITALY AGAINST THE WORLD. By George Martelli. New York: Harcourt, 1938, 316 p. $3.75.

One of the few accounts of the Ethiopian affair which attempts to discuss it fully and methodically both in its military and diplomatic aspects.

HISTOIRE DU FASCISME ITALIEN (1919–1937). By C. M. R. Paris: Rieder, 1938, 293 p. Fr. 18.

A rather conventional summary from a Leftist viewpoint.

DIX ANS DE FASCISME TOTALITAIRE EN ITALIE. By Silvio Trentin. Paris: Éditions Sociales Internationales, 1937, 241 p. Fr. 18.

Data on the fate of the political and civil liberties of the individual in Italy since 1926, by an exiled Italian professor.

LE CONFLIT ITALO-ÉTHIOPIEN DEVANT LA SOCIÉTÉ DES NATIONS. By André N. Mandelstam. Paris: Sirey, 1937, 577 p. Fr. 90.

A bulky pro-Italian legal autopsy on the late war.

BIBLIOGRAFIA DELLE SANZIONI. By Mario Marcelletti. Florence: Sansoni, 1937, 226 p. L. 10.

Over 1600 items in numerous languages.

STORIA COLONIALE DELL'ITALIA CONTEMPORANEA. By Raffaele Ciasca. Milan: Hoepli, 1938, 570 p. L. 38.

A comprehensive history of Italian colonial expansion by one of Italy's foremost modern historians.

GOVERNMENT IN FASCIST ITALY. By H. Arthur Steiner. New York: McGraw-Hill, 1938, 158 p. $1.50.

A reliable, well-informed discussion of the Fascist governmental structure, in particular its juridical aspects.

RIFORMA COSTITUZIONALE FASCISTA. By Italo Lunelli. Milan: Treves, 1937, 213 p. L. 12.

What Fascists can learn from the constitutions of the democratic countries and of Soviet Russia.

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STORIA E DOTTRINA DEL FASCISMO. By Carlo Costamagna. Torino: Unione Tipografico-Editrice Torinese, 1938, 454 p. L. 50.

Neither systematic nor scientific.

THE SYNDICAL AND CORPORATIVE INSTITUTIONS OF ITALIAN FASCISM. By G. Lowell Field. New York: Columbia University Press, 1938, 209 p. $2.75.

A praiseworthy attempt to discover how the corporative state actually functions, but which unfortunately does not go beyond 1935.

FASCIST ECONOMY. By Giuseppe Tassinari. Rome: "Laboremus," 1937, 159 p. 2/.

A concise presentation.

ANNALI DI ECONOMIA. Volume XII. Padua: C.E.D.A.M., 1937, 641 p. L. 100.

A comprehensive coöperative work describing the functioning of Fascist economic policies between 1926 and 1935, with particular attention to the formation of the corporative economy.

L'INDIPENDENZA ECONOMICA ITALIANA. Edited by Luigi Lojacono. Milan: Hoepli, 1937, 666 p. L. 60.

Some 60 Italian professors, business men, technicians and government officials contributed to this massive factual investigation into Italy's capacity for autarchy.

PROBLEMI DELL'IMPERO: L'ITALIANITÀ SULLE ALPI. By Giulio Renzini. Milan: Tipografia Ettore Padoan, 1937, 221 p. L. 14.

Newspaper articles in defense of the "Italianità" of Canton Ticino, allegedly menaced by the German-speaking element in Switzerland.

LA QUESTION DE L'ADRIATIQUE (1914–1918). By Paul-Henri Michel. Paris: Costes, 1938, lxxxiv, 296 p. Fr. 60.

Nearly 300 documents, many hitherto not readily accessible, prefaced with an interpretation by the head of the Bibliothèque de Documentation Contemporaine.

POPE PIUS THE ELEVENTH. By Philip Hughes. New York: Sheed, 1937, 318 p. $3.00.

A careful but in general conventional biography.

BURGOS JUSTICE. By Ruiz Vilaplana. New York: Knopf, 1938, 241 p. $2.00.

The author was Commissioner of Justice in Burgos at the outbreak of the civil war and continued in this post under Franco. After a year he became disgusted with Rebel justice, fled to France and wrote this book. In it he gives vivid descriptions of the personality and political position of Franco and of the behavior of the Germans and Italians fighting for him.

WARS OF IDEAS IN SPAIN. By José Castillejo. London: Murray, 1937, 168 p. 6/.

The cultural background of the conflict of ideals in modern Spain, explained by a former professor in the University of Madrid. One of the more detached books that have appeared on Spain.

THE POLITICS OF MODERN SPAIN. By Frank E. Manuel. New York: McGraw-Hill, 1938, 194 p. $1.50.

Contemporary Spain placed in its historical perspective by a young American scholar.

SPAIN BETWEEN DEATH AND BIRTH. By Peter Merin. New York: Dodge, 1938, 326 p. $3.00.

Arresting clichés from Loyalist Spain.

A CATHOLIC IN REPUBLICAN SPAIN. By Prince Hubertus Friedrich of Loewenstein. London: Gollancz, 1937, 112 p. 1/.

A liberal Catholic returns from his visit to Spain heart and soul for the Loyalists.

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CHEMISES NOIRES, BRUNES, VERTES EN ESPAGNE. By Georges Oudard. Paris: Plon, 1938, 273 p. Fr. 18.

A French novelist sympathetic to Franco visits Rebel Spain. His description of the foreign troops fighting for Franco is illuminating.

IN FRANCO'S SPAIN. By Captain Francis McCullagh. London: Burns, Oates, 1937, 330 p. 12/6.

Adventures of a Catholic correspondent in Rebel Spain.

CATALONIA INFELIX. By E. Allison Peers. New York: Oxford University Press, 1938, 326 p. $3.00.

A history of the Catalan nation, with a few concluding chapters on its plight under the Republican régime. The author, Professor of Spanish at Liverpool University, sees a somewhat dark future for Catalonia.

SPANIENS TOR ZUM MITTELMEER UND DIE KATALANISCHE FRAGE. By Franz Pauser. Leipzig: Teubner, 1938, 71 p. M. 1.20.

The geopolitical dialectic applied to Spain.

ECONOMIC PLANNING IN CORPORATIVE PORTUGAL. By Freppel Cotta. London: King, 1937, 188 p. 8/6.

A laudatory description of the operation of Salazar's corporative system.

## *Eastern Europe*

THE GOVERNMENT OF THE SOVIET UNION. By Samuel N. Harper. New York: Van Nostrand, 1938, 204 p. $1.25.

A concise summary of the constitutional history and present governmental set-up of Soviet Russia, by the Professor of Russian Language and Institutions in the University of Chicago.

SOVIET TEMPO. By Violet Conolly. New York: Sheed, 1937, 189 p. $2.50.

Vivid snapshots of life in various parts of Soviet Russia by a trained observer.

LES ONZE RÉPUBLIQUES SOVIÉTIQUES. By Marc Slonim. Paris: Payot, 1937, 291 p. Fr. 25.

An outline of Soviet history, geography and ethnography arranged by political divisions.

THE SOVIET PARADISE LOST. By Ivan Solonevich. New York: Paisley Press, 1938, 314 p. $2.50.

An unflattering picture of present-day Russia by a former minor official in the Soviet Sport Administration who was sent to a forced labor camp for trying to leave the country. His eventual escape will be described in a subsequent volume.

O METODAKH I PRIEMAKH INOSTRANNYKH RAZVEDYVATELNYKH ORGANOV I IKH TROTSKISTSKO-BUKHARINSKOI AGENTURY. SBORNIK. Moscow: Partizdat, 1937, 216 p. 25 cents.

Articles explaining the recent Moscow trials.

T. G. MASARYK. By Zdeněk Nejedlý. Prague: Melantrich, 1930–1937, Volumes I–IV.

The opening volumes of an exhaustive biography of the late President of Czechoslovakia. This work constitutes in effect an important source for the history of Central Europe. These four volumes carry the story through Masaryk's university career.

MASARYK OF CZECHOSLOVAKIA. By Donald A. Lowrie. New York: Oxford University Press, 1938, 222 p. $1.50.

A new edition carrying Masaryk's life to its close.

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WATCH CZECHOSLOVAKIA! By Richard Freund. New York: Oxford University Press, 1938, 112 p. $1.50.

A timely little book on Europe's Number One danger spot. Mr. Freund sees only two alternatives (unless the Czechs voluntarily become a vassal of Germany): either Hitler will foster a civil war in Czechoslovakia after the fashion of Spain, or he will commit an open act of aggression. He sees no possible compromise between Nazi ideology and Czech democracy.

DAS STAATSVERTEIDIGUNGSGESETZ UND DIE VERFASSUNGSURKUNDE DER TSCHECHOSLOWAKISCHEN REPUBLIK. By Fritz Sander. Brünn: Rohrer, 1936, 194 p. Kč. 36.

A legal study, relatively impartial, by a professor in the German University of Prague.

PENIZE A POLITIKA. By Jaroslav Kolářik. Prague: Borobý, 1937, 598 p. Kč. 60.

Chapters on Czechoslovakia's economic and financial policies.

DIE HABSBURGER UND DIE STEPHANSKRONE. By Clemens Graf zu Brandis. Vienna: Amalthea, 1937, 200 p. M. 3.

An Austrian nobleman's nostalgic plea for Hungarian loyalty to the Hapsburgs.

LA POSITION INTERNATIONALE DE LA ROUMANIE. By George Sofronie. Bucharest: Centre de Hautes Études Internationales, 1938, 162 p.

A legal and diplomatic study by a professor in the University of Cluj who favors Titulescu's policy.

PACHITCH ET L'UNION DES YOUGOSLAVES. By Count Sforza. Paris: Gallimard, 1938, 253 p. Fr. 20.

This is at once an interesting biography of the Serbian statesman, about whom very little has been written in Western languages, and a history of the movement for South Slav unity. Count Sforza was closely associated with Pašić at Corfu; later, as Italian Foreign Minister, he followed a policy friendly to the new Jugoslavia. His book thus has the virtue of being in considerable part a personal memoir.

## *The British Commonwealth of Nations*

BRITISH HISTORY IN THE NINETEENTH CENTURY AND AFTER (1782–1919). By George Macaulay Trevelyan. New York: Longmans, 1937, 512 p. $3.50.

An enlarged edition of the best one-volume history of nineteenth century England.

THE POST-WAR HISTORY OF THE BRITISH WORKING CLASS. By Allen Hutt. New York: Coward-McCann, 1938, 274 p. $2.75.

The most reliable and readable book in its field.

ARTHUR HENDERSON: A BIOGRAPHY. By Mary Agnes Hamilton. London: Heinemann, 1938, 461 p. 15/.

Though this biography does not add much to our knowledge (Henderson left few personal papers), it is nevertheless important because of the light it throws on the personality of the man. Henderson was one of the organizers of the Labour Party and this book is thus a good introduction to its history.

THE LABOUR PARTY IN PERSPECTIVE. By C. R. Attlee. London: Gollancz, 1937, 287 p. 7/6.

The leader of the Parliamentary Labour Party, after briefly (and not very satisfactorily) digesting its history, tells us what it will do when it gets into power. He believes it has an assured future as long as it stays Socialist and constitutional.

WHY EDWARD WENT: CROWN, CLIQUE, AND CHURCH. By Warre Bradley Wells. New York: McBride, 1937, 234 p. $2.50.

The former monarch's case sympathetically presented.

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KING GEORGE VI. By Hector Bolitho. Philadelphia: Lippincott, 1938, 257 p. $2.00.
A dignified and sympathetic portrait of the monarch as a man.

BRITISH CONSUL: MEMORIES OF THIRTY YEARS' SERVICE IN EUROPE AND BRAZIL. By Ernest Hambloch. London: Harrap, 1938, 289 p. 10/6.
An entertaining record of the author's thirty years of consular experience in the pre-war Balkans, in Switzerland during the war, and in Brazil both before and after the war.

THE MUTINY AT INVERGORDON. By Kenneth Edwards. London: Putnam, 1937, 425 p. 10/6.
A circumstantial narrative of the mutiny in the British Navy in September 1931, told by a retired naval officer.

ENGLAND SEIT 1815: POLITIK, VOLK, WIRTSCHAFT. By Carl Brinkmann. Berlin: Junker und Dünnhaupt, 342 p. M. 7.50.
A readable summary of a century and a quarter of English history by a Professor of Political Economy at the University of Heidelberg.

THE BRITISH EMPIRE. By Charles F. Mullett. New York: Holt, 1938, 768 p. $5.00.
A bird's-eye view of British imperial history.

THE STATUTE OF WESTMINSTER AND DOMINION STATUS. By K. C. Wheare. New York: Oxford University Press, 1938, 328 p. $3.50.
An exhaustive and sound juridico-historical study.

KINGDOMS IN PARTNERSHIP. By C. J. M. Alport. London: Lovat Dickson, 1937, 290 p. 8/6.
The development of the British imperial idea and of political institutions in the individual commonwealths.

AUSTRALIA ADVANCES. By David M. Dow. New York: Funk, 1938, 268 p. $2.00.
Well-arranged information about Australian economic and political life, by the Resident Secretary of the Commonwealth in the United States.

THE FUTURE OF IMMIGRATION INTO AUSTRALIA AND NEW ZEALAND. Edited by W. G. K. Duncan and C. V. James. London: Angus and Robertson, 1937, 291 p. 6/.
A symposium on a subject of the utmost importance to the two British nations in the South Seas.

THE NEW CONSTITUTION OF INDIA. By G. N. Joshi. New York: Macmillan, 1937, 464 p. $2.75.
India's new fundamental law set in its historical background and expounded by a professor in Government Law College at Bombay.

## *The Near East*

LA QUESTION D'ORIENT, 1918–1937: LA PAIX DE LA MÉDITERRANÉE. By Edouard Driault. Paris: Alcan, 1938, 538 p. Fr. 50.
A recognized authority on the diplomacy of the Mediterranean and Near East synthesizes international developments in that area since the World War.

DEUTSCHLAND UND DER WIRTSCHAFTSAUFBAU DES VORDEREN ORIENTS. By Reinhard Hüber. Stuttgart: Enke, 1938, 115 p. M. 6.
Evidence that Germany can considerably increase her trade with the Near East.

LA CONVENTION DES DÉTROITS. By Georges D. Warsamy. Paris: Pedone, 1937, 158 p. Fr. 35.
The historical background and the accomplishments of the Montreux Conference.

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TÜRK INKILÂB TARIHI VE BÜYÜK HARPTEN SONRA AVRUPA. By Samih Nafiz Tansu. Istanbul: Ikbal Press, 1938, 194 p. Ltq. o. 75.
Turkish history since the war, set against the general European background.

TURTSIYA. By A. Melnik. Moscow: Sotsekgiz, 1937, 219 p. 35 cents.
The political and economic development of present-day Turkey.

LA POLITIQUE MONÉTAIRE DE LA TURQUIE DEPUIS 1929. By René Houille. Paris: Sirey, 1937, 148 p. Fr. 25.
Objectives and methods of recent Turkish monetary reform.

UNITÉ SYRIENNE ET DEVENIR ARABE. By Edmond Rabbath. Paris: Rivière, 1937, 410 p. Fr. 20.
A member of the Chamber of Deputies in Syria discusses that country's present political state as well as the future of Arab unity.

LA FIN DU MANDAT FRANÇAIS EN SYRIE ET AU LIBAN. By John Morgan Jones. Paris: Pedone, 1938, 151 p. Fr. 35.
An historical and legal study.

GREAT BRITAIN AND PALESTINE. By Herbert Sidebotham. New York: Macmillan, 1937, 310 p. $4.00.
The Palestine problem reviewed in a light favorable to the Zionists.

## *Africa*

LA FRANCE AU MAROC. By General Caloni. Paris: Malfère, 1937, 266 p. Fr. 20.
The historical background of the French conquest of Morocco.

MAROC, VINGT-TROISIÈME HEURE. By General Jean Charbonneau. Paris: Charles-Lavauzelle, 1938, 227 p. Fr. 18.
Glimpses of modern Morocco by an officer in the Colonial Army.

PACE ROMANA IN LIBIA. By Rodolfo Graziani. Milan: Mondadori, 1937, 366 p. L. 20.
This book, which brings within one cover several works previously published separately, gives Graziani's own story of his "pacification" of Libya.

IL CANALE DI SUEZ. By Ettore Anchieri. Milan: Lombarda, 1937, 311 p. L. 10.
A history of the canal and its rôle in international politics.

GLI ITALIANI IN EGITTO. By Angelo Sammarco. Alexandria: Edizioni del Fascio, 1937, 200 p. 20 Piasters.
With the possible exception of the Greeks, no European colony has contributed more to making modern Egypt what it is today than the Italians. This is the record of their contribution from the time of Mohammed Ali to the present.

LES ACTES DE MONTREUX. By Raoul Aghion and I. R. Feldman. Paris: Pedone, 1937, 251 p.
Documents connected with the abolition of the capitulations in Egypt.

LA CONQUISTA INTEGRALE DELL'IMPERO. By Fabrizio Serra. Rome: Unione Editoriale d'Italia, 1938, 141 p. L. 10.
The military operations in Ethiopia from the fall of Haile Selassie to February 1937.

LA MARINA MERCANTILE E IL SUO CONTRIBUTO ALLA CONQUISTA DELL'IMPERO. By Michele Paturzo. Rome: Cremonese, 1937, 270 p. L. 15.
The Italian merchant marine's rôle in the conquest of Ethiopia.

SOMALIA ITALIANA. By General Ambrogio Bollati. Rome: Unione Editoriale d'Italia, 1937, 214 p. L. 10.
A brief history of Italian Somaliland, especially its military episodes, prior to the recent war.

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OGADÈN. By Mario Franchini. Bologna: Cappelli, 1937, 136 p. L. 14.
Reminiscences of the campaign in southern Ethiopia.

## *The Far East*

CANADA, THE PACIFIC AND WAR. By William Strange. New York: Nelson, 1938, 220 p. $1.75.
An introduction to Far Eastern problems prepared for the Canadian Institute of International Affairs. The author believes that in a war between Japan and the United States, Canada would not attempt to maintain her neutrality.

PACIFIC SCENE. By Harry J. Greenwall. London: Nicholson, 1938, 301 p. 8/6.
A review of recent international politics in the Far East, which tends to minimize Japan's economic handicaps.

CHINA AND JAPAN. New York: Oxford University Press, 1938, 130 p. 75 cents.
The political and economic background of the present war succinctly set forth by the Information Department of the Royal Institute of International Affairs.

RELATIONS DE LA CHINE ET DU JAPON. By Roger Lévy. Paris: Hartmann, 1938, 135 p. Fr. 10.
A précis by the secretary of the "Comité d'Études des Problèmes du Pacifique."

CHINA, THE POWERS AND THE WASHINGTON CONFERENCE. By Albert E. Kane. New York: Columbia University Bookstore, 1937, 233 p. $2.00.
A documented diplomatic history.

THE INVASION OF CHINA BY THE WESTERN WORLD. By E. R. Hughes. New York: Macmillan, 1938, 324 p. $3.50.
A century of occidental cultural penetration.

CHINA FIGHTS FOR HER LIFE. By H. R. Ekins and Theon Wright. New York: Whittlesey, 1938, 335 p. $2.75.
Both the authors are connected with the United Press, Mr. Ekins as correspondent in China for the last seven years and Mr. Wright as foreign cable editor in New York. Their book, which centers around the career of Chiang Kai-shek, shows many signs of careless writing. There is an appendix of pertinent documents.

STRONG MAN OF CHINA: THE STORY OF CHIANG KAI-SHEK. By Robert Berkov. Boston: Houghton, 1938, 288 p. $3.00.
A reliable chronicle of Chiang's rise to supreme power by the manager of the Shanghai bureau of the United Press.

LA CRISI DELLA CINA. By Domenico Bartoli. Milan: Istituto per gli Studi di Politica Internazionale, 1938, 296 p. L. 18.
The Chinese-Japanese conflict in its historical setting.

JAPANESE AGGRESSION AND CHINESE OPINION. Edited by the Kuomintang Bureau in Europe. Paris: Pedone, 1938, 156 p. Fr. 20.
Representative editorials from Chinese newspapers translated into French and English.

L'ÉVOLUTION DE LA VIE CONSTITUTIONNELLE DE LA CHINE SOUS L'INFLUENCE DE SUN YAT SEN ET DE SA DOCTRINE (1885–1937). By Tcheng Chao Yuen. Paris: Librairie Générale de Droit, 1937, 190 p. Fr. 35.
A scholarly study, containing the text of the Permanent Constitution recently drafted.

LAND UTILIZATION IN CHINA. By John Lossing Buck. Chicago: University of Chicago Press, 1937, 3 v. $20.
This monumental work on Chinese agriculture is based on a study of some 38,000 farm families in twenty-two different provinces made between 1929 and 1933 by a pro-

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fessor in the University of Nanking. Volume I contains a description — copiously supported by statistical tables, charts and photographs — of China's agricultural life. Volume II is an atlas and Volume III a compendium of the statistics gathered in the course of the investigation. This is without question one of the most fundamental works ever published on Chinese life.

LE JAPON CONTRE LE MONDE. By H. Chassagne. Paris: Éditions Sociales Internationales, 1938, 275 p. Fr. 18.

A compilation of data on Japan's history, geography and social problems interpreted from the Communist point of view.

THE LAST GENRO. By Bunji Omura. Philadelphia: Lippincott, 1938, 442 p. $3.50.

Prince Saionji's political career compasses the entire history of modern Japan, for he himself helped overthrow the Shogunate in 1868. At the age of 88, he is the last of the Elder Statesmen and the only official Councillor to the Emperor. He therefore merits a first-rate biography. Unfortunately Omura's work falls between the two stools of biography and fiction.

CHILDREN OF THE RISING SUN. By Willard Price. New York: Day, 1938, 316 p. $3.00.

Mr. Price has spent several years in intimate contact with the Japanese people in all parts of their empire. In this book he interprets their aspirations and their economic potentialities somewhat optimistically.

DE GESCHIEDENIS DER JAPANSCHE PENETRATIE IN MANTSJOERIJE ALS VOLKENRECHTELIJK PROBLEM. By C. L. Patijn. Amsterdam: Paris, 1937, 221 p. Fls. 2.90.

Japanese penetration into Manchuria from the standpoint of international law.

## *Latin America*

REPUBLICAN HISPANIC AMERICA: A HISTORY. By Charles Edward Chapman. New York: Macmillan, 1937, 463 p. $4.00.

The author, Professor of Hispanic American History in the University of California, in the first 175 pages of this book traces the development of Latin America as a whole since the early nineteenth century. In the remaining 200 pages he takes up the history of each Republic separately, concluding with a useful "Essay on Authorities."

PUERTO RICO AND ITS PEOPLE. By Trumbull White. New York: Stokes, 1938, 383 p. $3.50.

A survey of Puerto Rican problems by one who has known the island since 1898. The author is unsympathetic with Puerto Rican Nationalist aspirations.

BOUNDARIES, POSSESSIONS, AND CONFLICTS IN SOUTH AMERICA. By Gordon Ireland. Cambridge: Harvard University Press, 1938, 345 p. $4.50.

A scholarly investigation (with maps) of 26 boundary disputes.

SITUAÇAO ECONOMICA E FINANCEIRA DO BRASIL (1931–1936). By João M. de Lacerda. Rio de Janeiro: Libraria Alves, 1937, ten milreis.

Brazil's progress blueprinted, with the aid of statistics, by a Brazilian official.

JOURNEY TO MANAOS. By Earl Parker Hanson. New York: Reynal, 1938, 342 p. $3.00.

A charming and informative narrative of exploration in northwestern Brazil and southern Venezuela.

THE INTERNATIONAL ECONOMIC POSITION OF ARGENTINA. By Vernon Lovell Phelps. Philadelphia: University of Pennsylvania Press, 1938, 276 p. $3.00.

A thorough study on the period since 1914, referring particularly to the United States.

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# SOURCE MATERIAL

*By Denys P. Myers*

## PUBLIC DOCUMENTS OFFICIALLY PRINTED

Documents may be procured from the following: *United States:* Gov't Printing Office, Superintendent of Documents, Washington, D. C. *Great Britain:* British Library of Information, 270 Madison Ave., New York. *France:* Gerda M. Anderson, 12 Ave. Ernest Reyer, Paris XIV^e. *League of Nations, Perm. Court of Int. Justice, Int. Institute of Intellectual Coöperation:* Columbia University Press, Int. Documents Service, 2960 Broadway, New York. *Int. Labor Office:* 734 Jackson Pl., Washington, D. C. Washington imprints are Government Printing Office and London imprints are His Majesty's Stationery Office, unless otherwise noted. Since 1928 a list of Government documents has been printed in the *Monthly List of Books Catalogued in the Library of the League of Nations.*

### AIR ROUTES

EXCHANGE of notes between His Majesty's Government in the United Kingdom and the Chinese Government regarding air services over CHINA. Hankow, December 18, 1937. London, 1938. 3 p. 24½ cm. (Treaty Series No. 28 (1938), Cmd. 5712.) 1d.

AIR NAVIGATION. Arrangement between the United States of America and the IRISH FREE STATE. Effected by exchange of notes. Signed September 29, 1937, and November 4, 1937. Washington, 1938. 11 p. 23 cm. (Executive Agreement Series No. 110.) 5c.

EXCHANGE of notes between His Majesty's Government in the United Kingdom and the ITALIAN Government supplementary to the convention of December 7, 1934, regarding the establishment of air transport lines. Rome, December 14, 1937. London, 1938. 4 p. 24½ cm. (Treaty Series No. 15 (1938), Cmd. 5670.) 1d.

EXCHANGE of notes between His Majesty's Government in the United Kingdom and the Government of India and the Royal Siamese Government for the operation of regular air services over SIAM and over India and Burma. Bangkok, December 3, 1937. London, 1938. 4 p. 24½ cm. (Treaty Series No. 11 (1938), Cmd. 5651.) 1d.

AGREEMENT between His Majesty's Government in the Union of South Africa and the Portuguese Government for air services between SOUTH AFRICA and Portuguese East Africa. Pretoria, June 18, 1937. London, 1938. 7 p. 24½ cm. (Treaty Series No. 25 (1938), Cmd. 5707.) [Reprint of "Union of South Africa Treaty Series No. 5 (1937)."] 2d.

### ALEXANDRETTA

QUESTION of Alexandretta. Final regulations for the first elections in the Sanjak of Alexandretta. Geneva, 1938. 14 p. 33 cm. (League of Nations, C.103.M.56.1938.General.1.)

### ARBITRATION TREATIES

TRAITÉS GÉNÉRAUX d'arbitrage communiqués au Bureau International de la Cour Permanente d'Arbitrage. Sixième Série. La Haye, 1938. xv, 224 p. 34 cm. (Bureau International de la Cour Permanente d'Arbitrage.)

### ARMS, TRADE

CONFERENCE for the reduction and limitation of armaments. National supervision of the manufacture of and trade in arms. Action taken on the resolution adopted by the Assembly of the League of Nations on September 30, 1937. Geneva, 1938. 30 p. 33 cm. (League of Nations, Conf.D.183.1938.IX.2.)

INTERNATIONAL TRAFFIC in arms. Laws and regulations administered by the Secretary of State governing the international traffic in arms, ammunition, and implements of war. Fifth edition. Washington, 1938. 40 p. 23 cm. (Department of State, Publication No. 1147.) 10c.

SECOND ANNUAL report of the National Munitions Control Board. For the year ending November 30, 1937. Washington, 1938. 23½ cm. iii, 95 p. (75th Congress, 3d Session, House Document No. 465.)

### COLLISIONS, MARITIME

RULES TO GOVERN the Liability of Vessels when Collisions Occur between Them. Hearings before a subcommittee of the Committee on Foreign Relations, United States Senate, 75th Cong., 3d sess., on an international convention for the unification of certain rules to govern the liability of vessels when collisions occur between them, and a protocol thereto, both signed at Brussels on September 23, 1910. January 10, 11, 12, 13, and 14, 1938. Washington, 1938. iii, 455 p. 23 cm.

RULES to prevent collisions of vessels. Aug. 21, 1937. 20 p. il. 4°. (Department circular 230, 7th edition; Bureau of Marine Inspection and Navigation.) (Supersedes 6th edition, Nov. 18, 1935.)

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## COMMERCIAL TREATIES

TREATY of commerce between His Majesty in respect of the Commonwealth of AUSTRALIA and the President of the Czechoslovak Republic (with Final Protocol and Exchange of Notes). Canberra, August 3, 1936; Prague, August 19, 1936. London, 1938. 15 p. 24½ cm. (Treaty Series No. 9 (1938), Cmd. 5649.) 3d.

COMMERCIAL Agreement between His Majesty's Government in the Union of South Africa and the BELGIAN Government. Pretoria, July 13, 1937. London, 1938. 5 p. 24½ cm. (Treaty Series No. 26 (1938), Cmd. 5708.) [Reprint of "Union of South Africa Treaty Series No. 6 (1937)."] 1d.

EXCHANGE of notes (June 12, 1937) constituting a commercial agreement between Canada and BRAZIL. Ottawa, 1938. 5 p. 24½ cm. (Canada, Treaty Series, 1937, No. 6.) 25c.

CONVENTION between His Majesty in respect of the United Kingdom and the Emperor of Japan regarding trade and commerce between BURMA and Japan (with Protocol of Signature). London, June 7, 1937. London, 1938. 9 p. 24½ cm. (Treaty Series No. 1 (1938), Cmd. 5636.) 2d.

EXCHANGE of notes (July 30, 1937) regarding commercial relations between CANADA and France. Ottawa, 1938. 6 p. 24½ cm. (Canada, Treaty Series, 1937, No. 12.) 25c.

EXCHANGE of notes (September 28, 1937) constituting a commercial arrangement between CANADA and Guatemala. Ottawa, 1938. 5 p. 24½ cm. (Canada, Treaty Series, 1937, No. 17.) 25c.

EXCHANGE of notes (April 15, 1937) prolonging for a period of one year the commercial "modus vivendi" of 1935 between CANADA and Hayti. Ottawa, 1938. 1 p. 24½ cm. (Canada, Treaty Series, 1937, No. 3.) 25c.

TRADE AGREEMENT between CANADA and New Zealand. Signed at Ottawa and Wellington April 23, 1932. Ottawa, 1938. 1 p. 24½ cm. (Canada, Treaty Series, 1937, No. 15.) 25c.

EXCHANGE of notes (November 2, 1937) constituting a commercial agreement between CANADA and Salvador. Ottawa, 1938. 5 p. 24½ cm. (Canada, Treaty Series, 1937, No. 18.) 25c.

EXCHANGE of notes between His Majesty's Government in the United Kingdom and the CHILEAN Government constituting a temporary commercial agreement. Santiago, November 26, 1937. London, 1938. 3 p. 24½ cm. (Treaty Series No. 10 (1938), Cmd. 5650.) 1d.

COMMERCIAL Agreement between His Majesty's Government in the Union of South Africa and the Government of the CZECHOSLOVAK Republic. Capetown, January 27, 1937. London, 1938. 5 p. 24½ cm. (Treaty Series No. 22 (1938), Cmd. 5704.) [Reprint of "Union of South Africa Treaty Series No. 1 (1937)."] 1d.

COMMERCIAL Agreement between His Majesty's Government in the Union of South Africa and the ITALIAN Government (with supplementary exchange of notes of January 23, 1936). Capetown, May 21, 1935. London, 1938. 5 p. 24½ cm. (Treaty Series No. 20 (1938), Cmd. 5702.) [Reprint of "Union of South Africa Treaty Series No. 5 (1935) and No. 1 (1936)."] 1d.

COMMERCIAL relations. Temporary commercial arrangement between the United States of America and ITALY. Effected by exchange of notes. Signed December 16, 1937. Washington, 1938. 8 p. 23 cm. (Executive Agreement Series No. 116, Pub. No. 1138.) 5c.

EXCHANGE of notes between His Majesty's Government in the United Kingdom and the ITALIAN Government modifying the agreement of November 6, 1936, regarding commercial exchanges and payments. Rome, December 24, 1937. London, 1938. 3 p. 24½ cm. (Treaty Series No. 16 (1938), Cmd. 5669.) 1d.

AGREEMENT between His Majesty's Government in the United Kingdom and the ITALIAN Government modifying the agreement of November 6, 1936, regarding commercial exchanges and payments (with exchange of notes). London, March 18, 1938. London, 1938. 15 p. 24½ cm. (Treaty Series No. 19 (1938), Cmd. 5695.) 3d.

COMMERCIAL AGREEMENT between His Majesty's Government in the United Kingdom and the ITALIAN Government. London, March 18, 1938. London, 1938. 7 p. 24½ cm. (Treaty Series No. 18 (1938), Cmd. 5694.) 2d.

LIST of commercial treaties, etc., with foreign powers. January 1, 1938. [Foreign Office.] London, 1938. 57 p. 24½ cm. 1s.

## COMMUNICATIONS AND TRANSIT

STATUTE of the Organisation for Communications and Transit. Geneva, 1938. 30 p. 24 cm. (League of Nations, C.95.M.48.1938.VIII.1.)

## DOMINICAN REPUBLIC

PRESIDENTE TRUJILLO Molina declines to be a candidate for reëlection. Important message to the Dominican people. Ciudad Trujillo, Dominican Republic, January 8, 1938. N.p. 15 p. 22 cm.

## ECONOMIC RAPPROCHEMENT

REPORT presented by Monsieur van Zeeland to the Governments of the United Kingdom and France on the possibility of obtaining a general reduction of the obstacles of international trade, January 26, 1938. London, 1938. 50 p. 24½ cm. (Miscellaneous No. 1 (1938), Cmd. 5648.) 9d.

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## FINANCE, PUBLIC

PUBLIC FINANCE 1928–1937. LXI. Australia. Geneva, 1938. 18 p. 27 cm. (League of Nations, Economic Intelligence Service.)

—— XXXVII. Brazil. Geneva, 1938. 16 p. 27 cm. (League of Nations, Economic Intelligence Service.)

—— XXXIII. Canada. Geneva, 1938. 18 p. 27 cm. (League of Nations, Economic Intelligence Service.)

—— XLV. Haiti. Geneva, 1938. 9 p. 27 cm. (League of Nations, Economic Intelligence Service.)

—— LVIII. 'Iraq. Geneva, 1938. 10 p. 27 cm. (League of Nations, Economic Intelligence Service.)

—— LXII. New Zealand. Geneva, 1938. 19 p. 27 cm. (League of Nations, Economic Intelligence Service.)

—— LIV. Venezuela. Geneva, 1938. 10 p. 27 cm. (League of Nations, Economic Intelligence Service.)

## HAITI

HAITI. Annual report of the fiscal representative for the fiscal year October 1936–September 1937. Submitted to the Secretary of State for Finance, and the Secretary of State for Commerce of the Republic of Haiti, and the Secretary of State of the United States of America. Port-au-Prince, Haiti. v. 209 p. 23 cm.

HAITIAN FINANCES. Agreement between the United States of America and Haiti modifying the agreement of August 7, 1933. (Executive Agreement Series No. 46.) Signed January 13, 1938. Washington, 1938. 1 p. 23 cm. (Executive Agreement Series No. 117, Pub. No. 1143.) 5c.

## HUNGARY

FINANCIAL POSITION of Hungary in the fourth quarter of 1937. Twenty-fifth and final report by Mr. Royall Tyler, the Representative in Hungary of the Financial Committee. Geneva, 1938. 22 p. 33 cm. (League of Nations, C.87.M.41.1938.II.A.1.)

The final report of the scheme of League of Nations supervision.

## INDIA

INDIA, Bureau of Public Information. Indian Information Series, Vol. 2, No. 1. New Delhi, January 15, 1938.

Replaces "Indian Information Series" published by the British Library of Information, New York.

## INTELLECTUAL COÖPERATION

PROCEEDINGS of the Second General Conference of National Committees on Intellectual Coöperation. Paris, July 5–9, 1937. Geneva, 1937. 93 p. 33 cm. (League of Nations, C.530.M.369. 1937.XII.A.4.)

## LABOR CONFERENCE

INTERNATIONAL LABOUR Conference. Twenty-third session, Geneva, 1937. Record of proceedings. Geneva, 1937. xxxiii 881 p. 31½ cm. (International Labour Office.)

——. Twenty-fourth session. Geneva, 1938. Generalisation of the reduction of hours of work. Fifth item on the agenda. Part III: Coal mines. Geneva, 1938. xi, 223 p. 24 cm. (International Labour Office, Report V (Part III.)

## LABOR CONVENTION

DRAFT CONVENTION (No. 54) concerning annual holidays with pay for seamen, adopted by the international labour conference at its twenty-first session, held at Geneva, October 6–24, 1936. (Senate, 75th Congress, 3d Session, Executive Rept. No. 5.)

## LEAGUE OF NATIONS

THE COUNCIL of the League of Nations. Composition, competence, procedure. Geneva, 1938. 141 p. illustrations. 24 cm. (League of Nations, Information Section.)

REPORT of the special committee set up to study the application of the principles of the Covenant. Adopted by the Committee on February 2, 1938. Annexes: 1. Minutes of the third session of the committee (January 31 to February 2, 1938). 2 to 10. Reports communicated for information to the committee and to the Members of the League of Nations. Geneva, 1938. 123 p. 33 cm. (League of Nations, A.7.1938.VII.1.)

THE FUTURE OF THE LEAGUE. Broadcast messages given over Radio-Nations, the League of Nations broadcasting station, by the Right Hon. General Smuts, P.C., C.H., Deputy Prime Minister and Minister of Justice of the Union of South Africa, and M. Joseph Avenol, Secretary-General of the League of Nations. Geneva, 1938. 12 p. 15 cm.

THE LEAGUE OF NATIONS. A vital necessity in the modern world. Addresses delivered on

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the occasion of the 100th session of the Council. January 27, 1938. Geneva, 1938. 45 p. 15 cm. (League of Nations, Information Section.)

## NAVAL CONSTRUCTION

AGREEMENT between His Majesty's Government in the United Kingdom and the German Government providing for the limitation of naval armament and the exchange of information concerning naval construction (with Declaration, Protocol of Signature and Exchange of Notes). London, July 17, 1937. London, 1938. 43 p. 24½ cm. (Treaty Series No. 2 (1938), Cmd. 5637.) 9d.

AGREEMENT between His Majesty's Government in the United Kingdom and the Government of the Union of Soviet Socialist Republics providing for the limitation of naval armament and the exchange of information concerning naval construction (with protocol of signature and exchange of notes of November 12/19, 1937, regarding the Russian text). London, July 17, 1937. London, 1938. 18, 22 p. 24½ cm. (Treaty Series No. 17 (1938), Cmd. 5679.) 9d.

ESTABLISH THE COMPOSITION of the United States Navy. Hearings before the committee on naval affairs. House of Representatives, Seventy-Fifth Congress, third session on H.R. 9218 . . . January 31, February 1, 2, 3, 4, 7, 8, 9, 10, 11, 14, 15, 16, 17, 18, 19, 21, 23, 24, 25, 26, and 28, 1938. Washington, 1938. p. 1937–2889. 23 cm.

FLEETS. The British Commonwealth of Nations and foreign countries. Particulars of the vessels of the fleets of the British Commonwealth of Nations, Japan, France, Italy and Germany, on the 1st day of February, 1938, of the United States of America, on 15th December, 1937, and of the Soviet Union, on 1st February, 1935. London, 1938. 123 p. 24½ cm. (Cmd. 5666.) 2s.

MULTILATERAL treaty for the limitation of naval armament (with protocol of signature and additional protocol). Signed at London March 25, 1936. Ottawa, 1938. 17 p. 25 cm. (Canada, Treaty Series, 1937, No. 11.) 25c.

NAVY DEPARTMENT appropriation bill for 1939. Hearings before the subcommittee of the committee on appropriations United States Senate, Seventy-Fifth Congress, third session on H.R. 8993. Washington, 1938. ii, 43 p. 23 cm.

NAVY estimates 1938. Presented by Command of His Majesty. Ordered by the House of Commons to be printed 21st February 1938. London, 1938. 508 p. 24½ cm. 7s. 6d.

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CONVENTION concerning the status of refugees coming from Germany. (Geneva, February 10, 1938). Geneva, 1938. 18 p. 33 cm. (League of Nations, C.75.M.30.1938.XII.B.1.)

## STRAITS

RAPPORT ANNUEL sur le mouvement des navires à travers les détroits et des aéeronefs civils entre la Mediterranée et la Mer Noire. Première Année, Janvier 1938. Ankara, Imprimerie Bachvekalet, 1938. 93 p. incl. maps. 24 cm. (République Turque, Ministère des affaires etrangères.)

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RAPPORT de gestion. (69e année des services télégraphique et téléphonique, 31e année du service des radiocommunications.) 1937. Berne, 1938. 22 p. 34½ cm. (Bureau de l'Union des Télécommunications.)

EXCHANGE of notes between His Majesty's Government in the United Kingdom and the Egyptian Government regarding telecommunications. Alexandria and Cairo, August 12, 1936. London, 1938. 1 p. 24½ cm. (Treaty Series No. 4 (1938), Cmd. 5640.) 1d.

## TRADE

ECONOMIC COMMITTEE. Sub-Committee of Experts for the Unification of Customs Tariff Nomenclature. Draft customs nomenclature. Edition revised in accordance with the observations forwarded by Governments. Vol. II. Geneva, 1937. 33 cm. 318 p. (League of Nations, C.295.M. 194.1937.II.B.5II.)

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OUR FOREIGN POLICY. Address by the Honorable Cordell Hull, Secretary of State, at the National Press Club. Washington, D. C., March 17, 1938. Washington, 1938. 17 p. 22½ cm. (Department of State, Publication No. 1146.) 5c.

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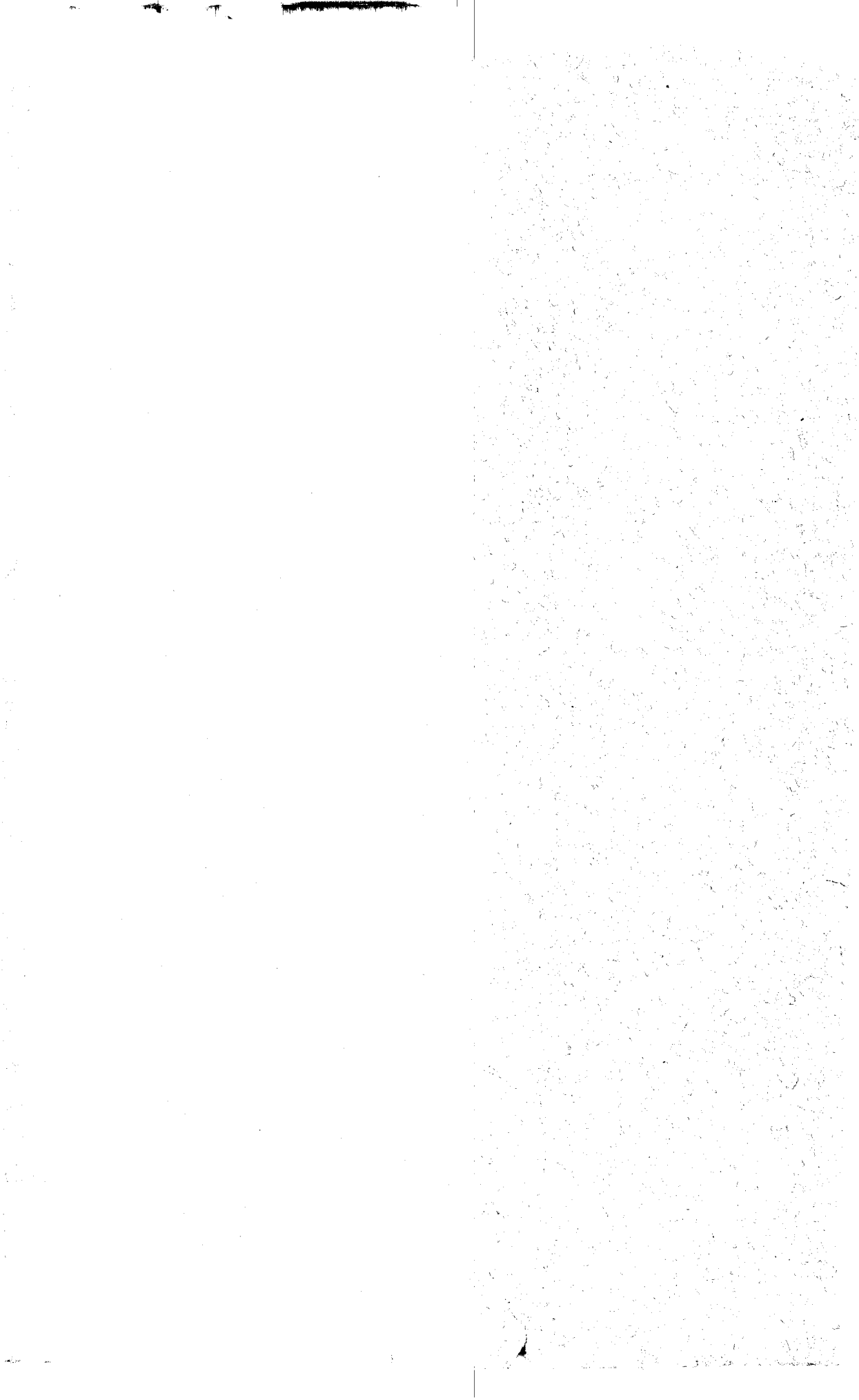

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